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**REPORT**  
  
of the  
  
**Unemployment  
Compensation Commission  
of Montana**



**Legislative Recommendations: Experience Rating  
Sixth Annual Report  
Advisory Council Report  
Social Security Board Suggestions**

**1942**



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# UNEMPLOYMENT COMPENSATION COMMISSION OF MONTANA

Barclay Craighead  
Chairman

George R. Shepard  
Commissioner

Louis G. DeNayer  
Commissioner

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## Membership of the Montana State Unemployment Compensation Advisory Council

### PUBLIC REPRESENTATIVES:

Rev. John J. O'Connor, Chairman  
Mrs. Eva Stoutenburg  
James V. Bennett

### EMPLOYER REPRESENTATIVES:

Robert D. Corette  
John F. M. Travis

### EMPLOYEE REPRESENTATIVES:

W. A. Boyle  
Bruce I. Steinmetz

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Helena, Montana,  
December 1, 1942.

The Honorable Sam C. Ford  
Governor of Montana

Dear Governor Ford:


We have the honor of submitting the report of the Unemployment Compensation Commission for 1942.

This report includes:

1. Legislative recommendations including a study of experience or merit rating.
2. The annual report upon activities of the Commission during the calendar year 1942.
3. A report of the Advisory Council.
4. Legislative suggestions of the Social Security Board.

Respectfully yours,

Barclay Craighead, Chairman  
George R. Shepard, Commissioner  
Louis G. DeNayer, Commissioner.



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# Legislative Recommendations:

## Experience Rating

The President of the United States, in transmitting the social security bill to congress in January, 1935, made the following statement:

"An unemployment compensation system should be constructed in such a way as to afford every practicable aid and incentive toward the larger purpose of employment stabilization. Moreover, in order to encourage stabilization, federal legislation should not foreclose the States from establishing means for inducing industries to afford an even greater stabilization of employment."

Subsequent to the President's recommendation, the committee on finance, in the United States Senate, in June, 1935, amended the social security bill as transmitted by the House and allowed states, under certain restrictions, to enact into their laws a taxation rate structure designed to act as an incentive to employers to stabilize employment.

Following the passage of the social security bill by the national congress, the Social Security Board suggested what are commonly called "draft" bills for the various legislative assemblies. Incorporated in these "draft" bills was a provision for experience, or merit, rating. Unemployment compensation was new and unfamiliar to most state legislators and the lawmakers, generally, adopted the recommendations of the Social Security Board. Montana was no exception.

### The Original Montana Law

The original Montana Unemployment Compensation Act, approved March 16, 1937, carried the following plan:

"(c) **Future Rates Based on Benefit Experience.** The commission shall, for the period of twelve months commencing July 1, 1942, and for each calendar year thereafter, classify employers in accordance with their actual contribution and benefit experience and shall determine for each employer the rate of contribution which shall apply to him throughout the calendar year in order to reflect said experience and classification. In making such classification, the commission shall take account of the degree of unemployment hazard shown by each employer's experience, and of any other measurable factors which it finds bear a reasonable relation to the purposes of this subsection. It may apply such form of classification or rating system which in its judgment is best calculated to rate individually and most equitably the employment for each employer and to encourage the stabilization of employment. The general basis of classification proposed to be used for any calendar year shall be subject to fair notice, opportunity for hearing, and publication. The rates for any calendar year shall be so fixed that they would, if applied to all employers and their annual pay rolls of the preceding calendar year, have yielded total contributions equaling approximately 2.7 per centum of the total of all such annual pay rolls. The commission shall determine the contribution rate applicable to each employer for any calendar year subject to the following limitations:

(1) Each employer's contribution rate shall be 2.7 per centum, unless and until there shall have been three calendar

years throughout which any individual in his employ could have received benefits if unemployed and eligible.

(2) No employer's contribution rate shall be less than 1 per centum.

(3) No employer's contribution rate shall be more than 3.6 per centum."

### Amendments by Subsequent Legislatures

The legislative assembly of 1939 deleted this section of the act and charged this commission as follows:

"(c) **Study for Merit Rating.** The commission shall investigate and study the operation of this act and the actual experience hereunder with a view to determining the advisability of establishing a rating system which would equitably rate the unemployment risk and fix the contribution to the fund of each employer or industry and would encourage the stabilization of employment. The commission shall submit their report and recommendations to the governor and the legislature not later than January 1, 1945."

At the 1941 session, the act was further amended; but only to change the date on which a report to the assembly was required from January 1, 1945, to January 1, 1943.

This report of the Unemployment Compensation Commission relating to experience rating is made in compliance with the above legislative mandate.

As we interpret the directions of the assembly, after three amendments, this commission is required to report:

1. On the advisability of establishing a merit rating system.

The commission's recommendation:

*We do not believe it is advisable to establish a merit rating system for unemployment compensation tax collections in Montana. In our opinion, there is no equitable way to rate the unemployment risk.*

2. In the event that the legislature overrules the recommendation of this commission advising against a merit rating system in the state, we are required to recommend a choice between a rating system to fix the contributions to the fund of each employer or industry. *It is the opinion of the commission that, if an experience rating system is established, it would be wiser to fix the tax assessment upon a percentage of pay rolls by industry, rather than by individual employing units. The rates for any calendar year should be so fixed that if applied to all employers and their annual pay rolls of the preceding year, they would have yielded total contributions equaling approximately 2.7 per centum of the total of all such annual pay rolls. No employer's contribution rate should exceed 6 per centum or be less than 1 per centum.*

No individual employing unit should receive a contribution rate of less than 2.7 per centum, regardless of the industry classification and record, when in two of the previous three years the total sum paid in benefits to employees of such unit has exceeded the contributions paid into the fund by this unit in the same period.

The contribution rate of an employing unit should take the maximum rate of six per centum, regardless of the industry classification or record, when benefits paid to the workers of such employing unit have, in two of the previous three years, equaled or exceeded twice the contributions paid into the fund by such employing unit.



No individual employing unit should receive a contribution rate of less than 2.7 per centum, unless the reserves for his individual account exceed 7.5 per centum of his last annual pay roll and reserves for his industry as a whole exceed 7.5 per centum.

3. If the legislature decides a merit rating system is to be established in the state, this commission is also required to recommend a system that will encourage the stabilization of employment. *It is our opinion that stabilization of employment in some industries can only be influenced by fixing the tax rate so high that many unfortunate individual employers, and perhaps some entire industries, might become bankrupt. Such a program might bring greater stabilization for the remaining employers but would be harmful to the state as a whole.*

This report discusses in detail all of the above alternatives.

### **What Is Experience Rating?**

Merit or experience rating in unemployment compensation is a system of assessing tax collections against employers to the degree that they are responsible for unemployment. Under such a system, theoretically, an employer creating no unemployment would pay only a nominal tax; contra-wise an employer with high labor fluctuations and large seasonal variations in pay roll would pay a high tax.

### **Other Definitions**

"'Experience rating,' frequently called 'merit rating' refers to the methods by which individual employer contribution rates may be varied from the standard rate upon the basis of the employer's experience with the risk of unemployment." — Taken from — Social Security Board, Employment Security Memorandum No. 8, Page 34.

"Experience rating is a device by which individual employer contribution rates are varied from a standard contribution rate in order to promote some objective, such as employment stabilization, allocation of benefit costs, rate reduction, or some combination of the above. At present, state experience rating plans provide for employer rate differentials according to the employer's experience with respect to the unemployment or unemployment risk of his workers or former workers." — Taken from — Oklahoma Division of Unemployment Compensation and Placement Bulletin.

By definition, experience rating sounds enticing, and has the ring of fairness.

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### **PURPOSE OF THE STATISTICAL TABLES**

Employment experience and benefit experience have been studied for the three-year period beginning July, 1939, and ending June, 1942.

From these studies, a rate schedule based on benefit pay roll ratios has been set up and the yield by contribution under certain proposed experience rating schedules has been calculated.

The yield to the fund by a plan devised to produce an average annual contribution rate of 2.7 percent has been calculated. The studies show a wide variation of employment during each year, due largely to seasonal influences. This fluctuation averages about 30 percent below the peak employment of the year.

It is considered that experience rating would reward employers whose businesses are already stabilized and penalize employers who are engaged in industries which are more or less seasonal in character.

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## ARGUMENTS FOR AND AGAINST EXPERIENCE RATING ARE BRIEFLY AS FOLLOWS:

### For

1. Experience rating is desirable as a matter of equity among employers. Why should all employers be taxed alike for unemployment when the employment experience among different employers varies so greatly?

None of the workers of some employers in Montana have drawn unemployment compensation benefits, while large percentages of the workers of other employers have lost their jobs and have drawn unemployment compensation benefits to the extent of from five to ten times the unemployment compensation taxes paid by such employers within the same period.

Between these two extremes, the experiences of all other employers of the state show a wide variation of ratios of contributions to benefits paid, both among industries and among individual employers in the same industries.

It is unfair that an employer with a good employment record should be required to pay for unemployment caused by employers in other industries, or by his competitors within his own. It is only right that each employer be taxed according to his own employment experience.

2. Experience rating would reduce taxes. The tax burden on employers is very heavy. With the advent of the war, taxes have been increased almost to the final ability of taxpayers to pay. Many employers in Montana, through a combination of applied restrictions, taxes, and economic upsets, have been forced to discontinue their businesses.

Easement of the tax burden in any manner will assist employers to continue their operations. Employers with a good employment record would benefit by lower unemployment compensation taxes.

3. Experience rating would encourage stabilization of employment. Stabilization of employment is a laudable objective of a proper employment security program. By a tax rating system, according to employment experience, employers

### Against

1. Experience rating would not apply taxes equitably upon employers. In Montana, employment experiences of employers vary greatly, not only among industries, but also among individuals within the same industries. In Montana, variations in employment experience among employers are due principally to circumstances over which the employers have no control.

Most of the state's industries are either directly or indirectly affected by seasonality.

Under experience rating, those employers who are already fortunate enough to be in a stabilized business, unaffected by situations over which they have no control, would be favored as against those industries which are necessary to our welfare, but which, by their nature, must be subjected to the vicissitudes of the weather.

2. Experience rating would not guarantee a reduction in taxes.

As discussed elsewhere in this report, the commission feels that the net income of 2.7% on payrolls is necessary to maintain the solvency of the fund. Thus, an application of experience rating in direct ratio of contributions to benefits would mean that for every dollar in tax reduction allowed to the more fortunate employers, an extra dollar in taxes should be collected from the less fortunate employers.

3. Experience rating would not stabilize employment.

Anticipation of profits on operations is a greater incentive for employers to employ workers than is the possibility of obtaining a minor reduction in the payroll tax. Employers will continue to employ as many people as they can with the expectation of making a profit. Economists state that stabilization can only be achieved with a minimum working force, so experience rating, rather than encouraging employment, would encourage unemployment and would breed two classes of workers—the employed, and the unemployed. Rather than take on workers, employers would



## Arguments For and Against Experience Rating—(Continued)

would have an impelling incentive to stabilize their employment.

4. Experience rating would encourage employers to assist the commission in administration of the act. Under a rating system whereby taxes would be in proportion to the amount of benefits paid to an employer's former workers, such an employer would have a greater incentive to cooperate with the commission in administering the unemployment compensation law. Increased employer interest would result in the reduction of presentation and payment of illegal claims.

5. Experience rating for employers is sound in theory, and practicable in operation.

By October, 1942, experience rating was in full operation in 34 states, with experience rating scheduled to begin operations soon in 3 states and the District of Columbia. The remaining states, including Montana, were engaged in a study of experience rating.

The growth of experience rating throughout the nation indicates that its operation is successful and practical.

6. Experience rating would permit employers in Montana to compete with employers of other states.

Many employers in Montana, with higher costs due in part, to flat rate unemployment compensation taxes, operate at a disadvantage against employers from other states who have the advantage of lower unemployment compensation taxes resulting from experience rating. Experience rating would permit Montana employers to compete on equal terms with employers from other states.

7. Experience rating would prevent immobilization of unnecessarily large funds of tax money.

A flat rate makes possible the collection of large reserves when employment is at its highest, whether or not it is a reasonable anticipation that such reserves will be needed in a reasonably distant future. No provision is made whereby the size of such reserves is limited or regulated by anticipated needs.

demand overtime work and a longer work week.

4. Cooperation of employers in administering the act.

Under experience rating, most employers would be more interested in giving valuable help to the Commission. There would be possibly a small percentage of employers, however, who, for the sake of making some small saving in their taxes, would resort to tactics calculated to prevent eligible claimants from receiving the proper benefits.

5. Employer experience rating in other states, to a large extent, has not yet passed the experimental stage.

Only one state has had more than three years of experience rating. There is such a variety of experience rating laws in these states that it is difficult to compare one with the other. Economic and industrial conditions vary so among states, that the fact that a law works well in Alabama, for instance, is no proof that it would work as well in Montana.

6. A flat unemployment compensation tax does not necessarily place a handicap on Montana employers as against other state employers.

Whether or not an employer in Montana can compete with an employer in another state depends upon a number of factors besides the unemployment compensation tax. Furthermore, rates for employers with identical employment vary widely in different states.

7. Fears that the states' unemployment funds might swell to "alarming" proportions are groundless. If any state has too great a reserve every employer might be given the advantage of reduction in the base tax rate, rather than granting individual employers a tax advantage over other employers. In Montana a flat tax has not produced reserves beyond anticipated needs.

## Theory Behind Experience Rating

The theory of experience rating is based largely upon these generalizations:

1. Individual employers are responsible for unemployment.
2. Individual employers can stabilize employment.
3. Montana employers will not exercise their ability to stabilize employment unless an incentive is supplied.

1. Stabilization of employment is so desirable and important that it justifies penalty provisions.

Thus the causes of unemployment are not thought to be world-wide, nation-wide, or even state-wide, but to lie primarily within the individual businesses themselves. If these observations are true and correct, it appears merit rating may be well worthwhile and effective.

This commission believes that a dictator, or one clothed with complete authority, could no doubt so regulate our economic life to the extent that stabilization of employment could become effective. What we wish to explore in detail is the assumption that, under our present competitive system of individual enterprise, the individual Montana employer could, if he so desired, bring about stabilization of employment.

## World-Wide Causes of Unemployment

The causes of unemployment are many and varied. Some are world-wide in scope. We hardly need a global war to prove this. A great war, such as this nation is now engaged in, only makes the facts more obvious.

A short rubber crop in Burma in peacetime has its effect upon the employment of an automobile tire salesman in Cascade county. The discovery of new ore bodies in the tin mines of Bolivia will have some bearing upon the number of cans of peas to be packed in Gallatin county, and consequently the quantity of unemployment. Lowering the tariff walls to admit Argentine beef may have an effect upon employment in packing plants in Yellowstone county. Perfection of a new process of ore reduction in the Belgian Congo may seriously affect the employment of metal miners in Silver Bow county.

Widespread late rust, reducing the yield of wheat in the prairie provinces of western Canada, can easily have an immediate response in grain markets, improve prices, and spell prosperity and full employment in Sheridan and Daniels counties.

Prosperity in England, influenced by exploitation of India, sells Bitter Root apples and may mean more workers on the job at Missoula.

In periods of normalcy the effects of world-wide causes of unemployment are difficult to measure. In times of war their effect is immediate and apparent.

The stream of Montana-made goods flowing into commerce outside the state and furnishing most of the dollars used to meet pay rolls in Montana, seems peculiarly sensitive to world conditions. Our main products are wheat, lumber, copper, oil, lead, zinc, beef, sugar and wool. All of these are affected by world prices and world conditions.

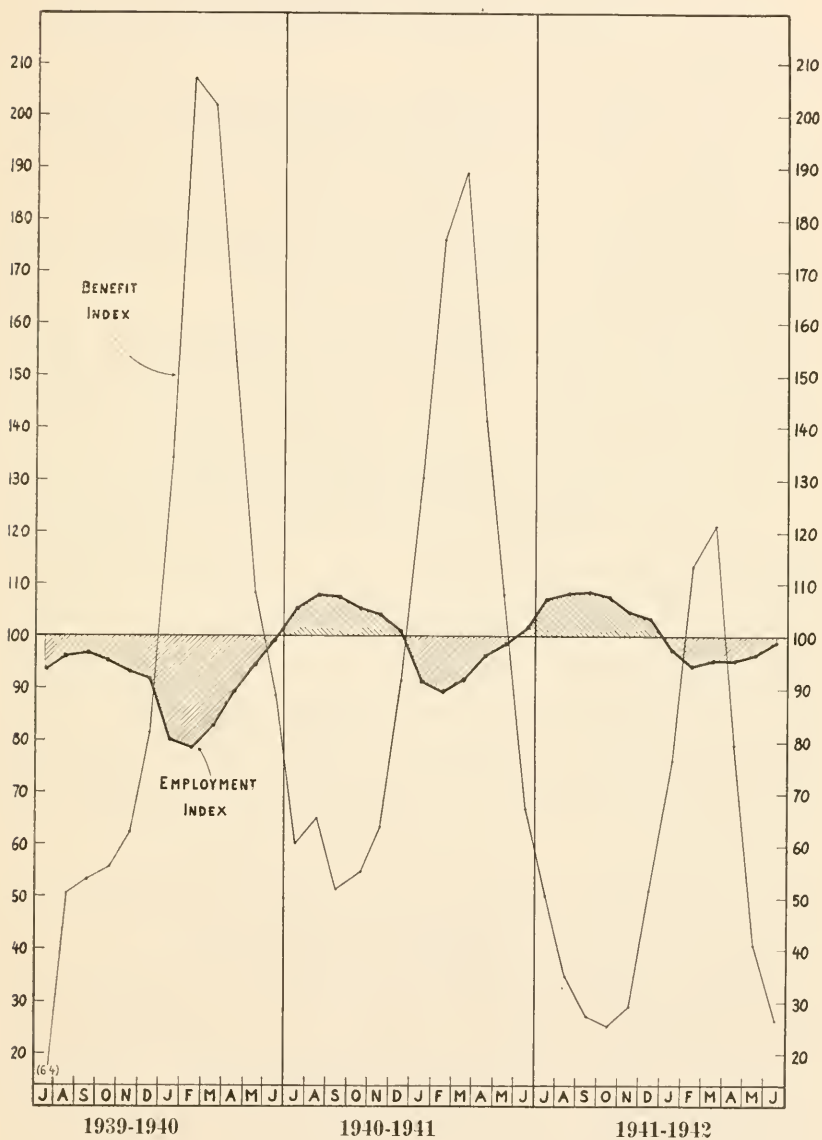
It is plain the individual employer in Montana is as helpless in the face of these crushing world-wide economic movements as is the

# CHART NO. 1

## Employment and Benefit Indexes, 1939-42

### Average 1940-41=100

This chart shows seasonal fluctuation of employment and fluctuation in benefit payments in Montana by months for the three years.



individual employee. To reward the fortunate employer who may profit and obtain higher prices for his products because of world conditions by giving him a lower tax rate, or to penalize the unfortunate employer who may lose, because of world conditions completely beyond his control, by increasing his tax rate because he is compelled to reduce the number of his workers, does not seem sound or equitable.

### **National Causes of Unemployment**

Many of the indirect and some of the direct causes of unemployment are nation-wide in scope and totally beyond the power of an individual Montana employer to resist.

The individual employer is helpless before a nation-wide recession or a low purchasing power among a particular group of consumers. He is subject to changes in the technique of production. He can have little effect upon nation-wide market demand.

When the government ordered automobile manufacturers in Detroit to stop the production of cars and trucks, could the Ford agent at Dillon continue profitably to employ salesmen? How could the individual dealer prevent the necessary lay-offs?

Our government has recently frozen the sale of some hundreds of scarce articles. Sales are the lifeblood of trade. We do not understand how the individual hardware merchant, unable to procure new goods, forbidden to dispose of some commodities on his shelves, can properly be held responsible when compelled to reduce personnel.

### **Area and State-Wide Causes of Unemployment**

Some of the causes of unemployment are state-wide or area-wide.

Three inches of additional moisture falling over Montana from April to August may easily reduce benefit payments to unemployed workers \$500,000 in a single year. A lack of rainfall will increase benefits.

All business and all employment is immediately affected by farm prices and farm crops. Available supplies of labor for construction and other needs ebb and flow with the crop size and price. The moisture may come in one township and not in another. In any event, what can the individual employer do except to accept the verdict of the gods and govern his employment problems accordingly? Should the lumber dealer whose farm customers are prosperous be further rewarded by a lower rate while his brother in the same business in an adjoining county is penalized?

A short cherry crop in Ravalli county, due, perhaps, to early frost, will mean hundreds of dollars in extra payments for unemployment compensation in that area. What fair person can hold the individual canning plant management at fault?

Mining is one of our great Montana industries, employing directly, in 1942, some 20% of all workers covered by our compensation law. Other thousands are employed in smelters and connected industries. But a mine or an oil well has only a limited amount of value carrying material. Some day these values will fade into country rock and the property close down. This happens half a dozen times in as many counties in Montana each year. The causes spring from mother nature and are beyond the power of the individual operator to control.

TABLE NO. 1

# EMPLOYMENT AND BENEFIT INDEXES (1940-41 Average = 100)

\*Higher than average for period.

†Lower than average for period. Highest and Lowest for period **bold face**.

Month—	1939—1940				1940—1941				1941—1942			
	Total Number Employed	Amount of Benefit Payments	Employment Index 76,550=100	Benefit Index 247,657=100	Total Number Employed	Amount of Benefit Payments	Employment Index 76,550=100	Benefit Index 247,657=100	Total Number Employed	Amount of Benefit Payments	Employment Index 76,550=100	Benefit Index 247,657=100
July .....	71,560*	153,965†	93.5	64.8	80,528*	148,859†	105.2	60.1	81,893*	124,745†	107.0	50.4
August .....	73,551*	125,796†	96.1	50.0	82,613*	160,959†	107.9	65.0	82,788*	86,692†	108.1	35.0
September .....	73,933*	131,864†	96.6	53.2	82,407*	128,591†	107.6	51.9	83,034*	86,614†	108.5	27.7
October .....	72,832*	137,815†	95.1	55.6	80,940*	135,463†	107.7	54.7	82,460*	63,670†	107.7	25.7
November .....	71,352*	154,431†	93.2	62.3	78,851*	137,614†	104.4	63.6	80,287*	71,950†	104.9	24.0
December .....	70,454*	201,440†	92.0	81.3	77,520*	226,810†	101.3	91.6	79,453†	127,523†	103.8	51.5
January .....	61,289†	232,758*	80.2	124.2	69,776†	222,215*	91.1	130.1	74,530†	189,087*	97.4	76.3
February .....	60,358†	514,023*	78.8	207.5	68,724†	457,567*	89.8	176.6	72,518†	280,350*	94.7	113.2
March .....	63,554†	569,254*	83.0	201.3	70,365†	486,450*	91.9	189.1	73,421†	300,015*	95.7	121.1
April .....	68,771†	382,320*	89.8	154.4	73,662†	351,154*	96.2	141.8	73,143†	196,720*	95.5	79.4
May .....	72,665*	269,243*	94.8	108.7	75,403†	267,468*	98.5	108.0	73,977†	101,127†	96.6	40.9
June .....	75,866*	292,335†	99.1	77.6	77,757*	166,737†	101.6	67.3	75,690†	65,877	98.9	26.6
Average .....	69,685	238,030	91.0	96.1	76,550	247,657	100.0	100.0	77,753	139,721	101.6	56.4

§—One week of benefit payments.

TABLE NO. 1  
Employment and Benefit Indexes

The total number of persons employed and the total amount of benefits paid are listed by months for the three-year period beginning with July, 1939, and ending with June, 1942. Indexes have been calculated for employment and benefits with the average of 1940-41 as 100 for comparison of employment and benefits in their respective months.

As will be more readily seen from Chart No. 1, Montana employment is characterized by relatively high employment in the summer months and low employment in the winter months. Con-

versely, benefit payments are relatively low in the summer months and high in the winter months. The periods are regularly recurrent from year to year.

The trend of employment shows a gradual increase for the three-year period and the trend of benefit payments is downward, particularly since June, 1941. From the fact that benefit payments are so much less in proportion to increased employment in Montana, it is concluded that a large proportion of Montana workers who might have been benefit recipients have found employment outside the state.



## Many Causes of Unemployment

From the foregoing, we think most Montana citizens will agree that the causes of unemployment are many and varied, direct and indirect, and that in few instances is the individual employer able to control his employment record. At the risk of becoming lengthy, we wish to discuss some of the more direct and immediate causes of unemployment in Montana.

From a study of 42,267 cases of different individuals who have drawn benefits in the three-year period from July 1, 1939, to July 1, 1942, and discussions and correspondence with hundreds of employers, we are convinced that probably 90% of all those unemployed lost their jobs largely due to one or more of the following reasons:

1. Annual seasonal changes.
2. Governmental regulations.
3. Depressional reductions.
4. Inventive changes.
5. Temperamental differences.

### Seasonal Variations in Unemployment in Montana

More than half of all employment in Montana in a normal, before-the-war year is caused directly or indirectly by climatic conditions—winter and summer.

When we can lengthen the summer season and reduce the rigors of winter, this type of unemployment can be rounded out. When this occurs, we can properly charge the individual employer responsible for pay roll cuts now beyond his control. Until we can do so, the situation appears hopeless, at least without violent shifts in our economic system, such as the importation and deportation of thousands of workers as the seasons change, or the artificial stimulation of winter operative industries. Who would advocate such radical changes? Therefore, it is not likely that the highs and lows of seasonal unemployment in Montana can be ironed out, except partially during the war.

Variations in Montana employment by seasons will be shown on the accompanying table (see page 19, Table No. 3A, "Range of Employment by Industry—1939 to 1940, 1940 to 1941, 1941 to 1942.")

It will be observed that all industries (covered by the unemployment compensation law) in 1939-40 employed in the highest month of operations, 80,632 persons; reducing in the winter season (in the lowest month of operation) to 57,295 persons. Thus, in this year 23,337 fewer persons were employed in covered industry in the lowest winter month than at the peak of production in the summer and fall of the same year.

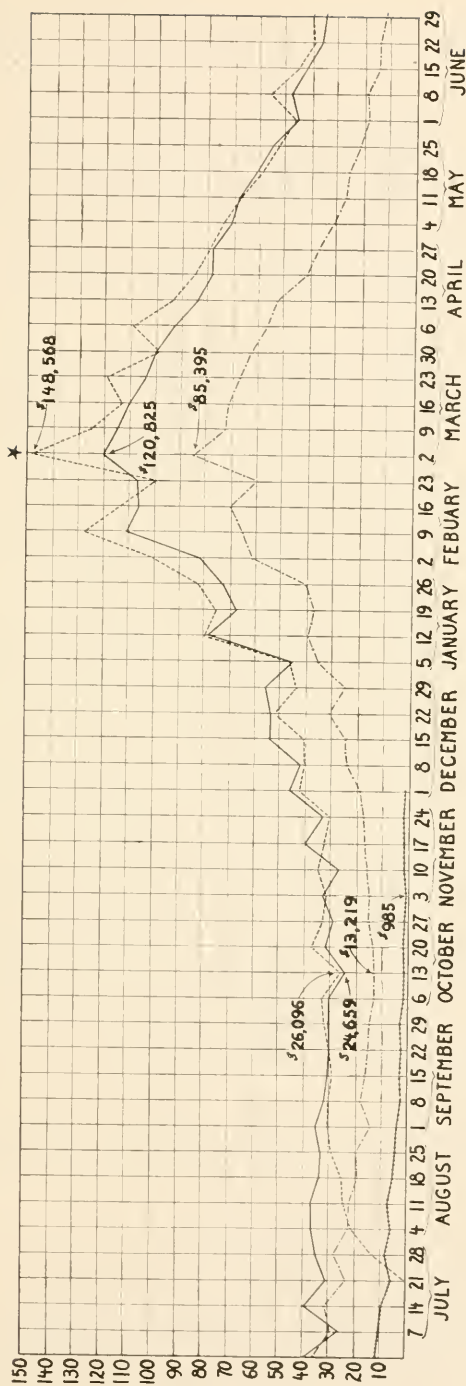
For the year of 1941-42, in the highest month of employment, 88,174 were on covered pay rolls in Montana; and in the lowest month, only 68,144—a difference of 20,030.

Some industries in Montana vary in seasonal employment much more than the average.

As the tables will indicate in the extreme seasonal industries—construction, for example—building construction employed in 1941-42 only 534 persons in the lowest period of employment, and 1,825 during the highest month of employment—a percentage variation of 63%.



# CHART NO. 2 Montana Benefit Payments by Weeks



A more stable industry was printing, however. In 1941-42 this industry employed 1,398 persons in the highest month of employment, reducing to 1,175 in the lowest point—a difference of only 16%.

### What Can Employers Do About Weather?

What can the individual construction employer do about this situation? Can he dig basements when the ground is frozen? Can he profitably construct roads in February in Montana? How can the beet factory operate when there are no beets moving from field to factory and deterioration prevents storage? How can the tourist camp employer pay his workers in February when seasonal travel ends with the heavy snows?

While most seasonal variations in employment have their origin directly in winter conditions, others of minor effect may depend upon custom or conventional dates, such as Christmas shopping; the opening of schools; popular months for weddings, etc. These variations unfortunately appear to have only minor beneficial value in Montana, although the commission is continuing a study of shifts in pay rolls. Such shifts as between industries, while partly serving to counter-balance each other, only tend to understate the overall figures for unemployment due to seasonality, as shown on the tables in this report, making the figures of seasonal changes too low rather than too high.

With Montana industry demanding from 20,030 (during 1941-42) to 23,337 (during 1939-40) more workers in the summer season than in the winter, the number of job seekers increases with the first heavy ice by more than 20,000 additional workers released from agricultural operations. Thus, unemployment in the urban areas is swelled by both sides. The seasonal swing in the average year in this state in total volume of industrial and agricultural releases probably approaches some 40,000. This is more likely underestimated than overstated. When it is remembered that in the highest week of benefit payments in this state ending March 1, 1940, \$148,567.64 were paid to 13,416 different individuals, it is clear that unemployment compensation is still far from offering full protection to all workers, for even temporary seasonal unemployment. In addition, seasonal highs and lows cause fluctuations in wages and in hours worked. In the cold months, the average earnings of employed workers decrease simultaneously with the decrease in numbers of workers on pay rolls.

The principal problems that arise from the payment of benefits to seasonal workers are:

1. Fear of excessive drain upon the fund if payments continue.
2. The possibility that benefit payments may discourage the seasonal worker from seeking employment during the "off-season."

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### TABLES 2A, 2B, 2C

#### Fluctuation of Employment by Industry by Months

These tables show employer experience of industries by numbers of employees on the respective payrolls. Montana industries have been classified into seven major groups and 26 sub-groups. The average number employed by each industry and the percent of total employed is shown.

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# FLUCTUATION OF EMPLOYMENT BY INDUSTRY BY MONTHS

## July, 1939—June, 1940

\* Higher than average for period.

† Lower than average for period.

Highest and Lowest months in bold face.

Industry	July No. Em- ployed	Aug. No. Em- ployed	Sept. No. Em- ployed	Oct. No. Em- ployed	Nov. No. Em- ployed	Dec. No. Em- ployed	Jan. No. Em- ployed	Feb. No. Em- ployed	March No. Em- ployed	April No. Em- ployed	May No. Em- ployed	June No. Em- ployed	Ave. of Total Em- ploy- ment	Pct.
All Industries..... Total	71,560*	73,551*	73,953*	72,822*	71,352*	70,454*	61,389†	60,359†	63,534†	68,771†	72,605*	75,866*	69,685	100.0
Mining	9,419	9,854	10,247	11,444	11,548	11,332	11,135	11,213	11,328	11,624	11,768	11,821	11,062	15.8
(10) Metal Mining	<b>6,870†</b>	<b>7,124†</b>	<b>7,177†</b>	<b>8,285†</b>	<b>8,585*</b>	<b>8,478*</b>	<b>8,444*</b>	<b>8,588*</b>	<b>8,709*</b>	<b>9,125*</b>	<b>9,495*</b>	<b>9,163*</b>	8,312	11.8
(12) Coal Mining	856†	1,088†	1,470*	1,488*	1,445*	1,381*	1,445*	1,391*	1,257*	989†	833†	814†	1,203	1.7
(13) Petroleum & Natural Gas Production	1,323*	1,324*	1,289†	1,374*	1,307*	1,280†	1,164†	1,122†	1,200†	1,266†	1,388*	1,433*	1,291	1.9
(14) Non Metallic Mining	360*	318*	311*	297*	211†	183†	112†	112†	163†	254†	352*	401*	256	0.4
Construction	7,865	8,246	7,815	6,761	5,831	4,427	2,635	2,361	3,430	4,966	6,587	7,440	5,696	8.2
(15) Contractors, Building	<b>2,269*</b>	2,184*	1,777*	1,562*	1,459†	1,109†	656†	<b>629†</b>	927†	1,384†	1,869*	2,156*	1,498	2.1
(16) Contractors, Other	3,583*	4,428*	4,374*	3,692*	2,940†	1,214†	1,085†	921†	1,521†	2,368†	3,730*	3,730*	3,730	4.2
(17) Contractors, Spec. Trade	1,638*	1,634*	1,564*	1,507*	1,432*	1,201†	894†	<b>810†</b>	982†	1,214†	1,464*	1,554*	1,333	1.9
Manufacturing	12,083	12,597	12,892	13,560	13,473	12,557	11,392	10,906	11,147	12,184	12,873	13,411	12,407	17.8
(20) Food Manufacturing	3,688*	4,064*	4,399*	<b>4,819*</b>	4,304†	3,835†	3,181†	<b>2,747†</b>	2,921†	3,216†	3,374†	3,601†	3,680	5.3
(21) Lumber Manufacturing	2,418†	2,377†	2,412†	2,507*	2,523*	2,444†	2,352†	2,400†	2,482†	2,826*	2,935*	2,935*	2,498	3.6
(22) Printing & Publishing	1,700*	1,419*	1,175*	1,367*	1,544*	1,339*	1,236†	1,205†	1,237†	1,286†	1,296†	1,322†	1,331	1.9
(23) Petroleum & Products	699†	699†	699†	699†	699†	664†	645†	643†	678†	917*	915*	936*	738	1.0
(32) Non Ferrous Metals	<b>2,942†</b>	3,061†	3,101†	3,311†	3,507†	3,438†	3,016†	3,039†	3,058†	3,394*	3,303*	3,445*	3,223	4.7
(33) Misc. Manufacturing	325†	965†	839†	827†	304†	<b>765†</b>	962*	886†	970*	889†	1,159*	1,232*	937	1.3
Transportation, Communication and Utilities	5,512	5,537	5,571	5,361	5,147	5,352	4,964	4,795	4,866	5,155	5,505	5,759	5,295	7.6
(41-45) Transportation	1,769*	1,789*	1,806*	1,709*	1,568*	1,582†	1,475†	<b>1,442†</b>	1,483†	1,542†	1,705*	1,813*	1,640	2.3
(46) Telegraph & Telephone	1,251*	1,271*	1,256*	1,217*	1,237*	1,214†	1,214†	1,175†	1,141†	1,298†	1,244*	1,258*	1,229	1.8
(48-49) Utilities	2,492*	2,497*	2,529*	2,405†	2,342†	2,547*	2,575†	<b>2,174†</b>	2,242†	2,355†	2,556*	<b>2,688*</b>	2,426	3.5
Wholesale & Retail Trade	26,054	26,563	26,895	25,706	25,846	26,784	22,483	22,326	23,586	25,026	25,717	26,541	25,293	36.4
(50-52) Wholesale Trade	6,863*	7,102*	7,265*	7,087*	7,102*	6,911*	<b>6,217†</b>	6,221†	6,388†	6,854*	6,753†	6,917*	6,808	9.8
(53-57) Retail Trade	12,794*	12,806*	13,161*	12,766*	12,951*	<b>14,064*</b>	11,262†	11,187†	11,984†	12,376*	12,835*	13,100*	12,606	18.2
(71) Eating & Drinking Places	4,736*	4,959*	4,777*	4,355*	4,296†	4,333†	3,731†	<b>3,652†</b>	3,843†	4,294†	4,511*	4,751*	4,353	6.2
(75) Filling Stations	1,661*	1,697*	1,692*	1,498†	1,491†	1,476†	1,273†	<b>1,266†</b>	1,361†	1,502†	1,618*	1,773*	1,526	2.2
(60-66) Finance, Insurance and Real Estate	1,965†	1,968†	1,989†	1,954†	1,951†	2,005†	2,187*	2,191*	2,234*	2,356*	2,387*	2,438*	2,135	3.0
Service	7,965	8,054	7,810	7,473	7,284	7,441	6,522	6,496	6,860	7,341	7,638	8,281	2,430	10.7
(70) Hotels & Rooming Houses	2,281*	2,233*	1,938*	1,897†	1,790†	1,789†	1,535†	<b>1,500†</b>	1,565†	1,808†	1,994*	<b>2,513*</b>	1,906	2.8
(72) Personal Services	1,687*	1,712*	1,720*	<b>1,708*</b>	1,696*	<b>1,783*</b>	1,448†	1,434†	1,538†	1,645†	1,718*	1,784*	1,657	2.4
(73-76) Business & Repair Services	850*	1,047*	901*	829	784†	791†	<b>705†</b>	726†	746†	797†	845*	928*	829	1.2
(78-79) Motion Pictures and Amusements	1,058†	1,080†	1,225*	1,209*	1,237*	1,260*	1,116†	1,134†	1,189†	1,317*	1,301*	1,197*	1,194	1.7
(80-86) Professional & Social Services	<b>2,089*</b>	1,973*	2,026*	1,830†	1,777†	1,814†	1,718†	<b>1,702†</b>	1,792†	1,774†	1,780†	1,859*	1,844	2.6
Miscellaneous n.e.c. \$	697*	712	714	573	572	559	71	70	84	109	130	115	367	0.5

§ Not elsewhere classified.

TABLE 2B

# FLUCTUATION OF EMPLOYMENT BY INDUSTRY BY MONTHS July 1940—June 1941

\* Higher than average for period.

† Lower than average for period.

Highest and Lowest months in bold face.

Industry	July No. Em- played	Aug. No. Em- played	Sept. No. Em- played	Oct. No. Em- played	Nov. No. Em- played	Dec. No. Em- played	Jan. No. Em- played	Feb. No. Em- played	March No. Em- played	April No. Em- played	May No. Em- played	June No. Em- played	Ave. No. Em- played 12 Months	Pct. of Total employ- ment
All Industries	80,538*	82,613*	82,407*	80,940*	78,851*	77,520†	69,776†	68,724†	70,365†	73,632†	75,403†	77,757*	76,550	100.0
Mining	13,622	13,810	14,455	14,412	14,412	14,179	14,011	13,872	14,000	14,179	14,245	14,301	14,123	18.3
(10) Metal Mining	10,965†	10,895†	11,068†	10,936†	11,011†	10,837†	10,922†	11,037	11,176*	11,276*	11,479*	11,520*	11,095	14.4
(12) Coal Mining	848†	1,083†	1,319*	1,472*	1,586*	1,581*	1,520*	1,407	1,232†	1,095†	904†	830†	1,240	1.6
(13) Petroleum & Natural Gas Production	1,421†	1,486*	1,472*	1,604*	1,521*	1,521*	1,368†	1,325†	1,339†	1,507*	1,486*	1,514*	1,464	1.9
(14) Non Metallic Mining	378*	346*	486*	406*	294†	240†	191†	179†	254†	301†	376*	437*	324	0.4
Construction	7,652	7,963	7,444	6,873	5,593	4,501	2,921	2,803	3,406	4,881	5,236	5,554	5,402	7.1
(15) Contractors, Building	2,926*	2,954*	2,925*	2,432*	2,072*	1,806*	899†	880†	997†	1,323†	1,451†	1,547†	1,487	2.2
(16) Contractors, Other	3,897*	3,448*	3,448*	2,763*	1,987†	1,397†	1,033†	1,003†	1,420*	2,063†	2,488*	2,690*	2,362	3.1
(17) Contractors, Spec. Trade	1,529*	1,684*	1,744*	1,671*	1,534*	1,298†	989†	920†	980†	1,252†	1,317†	1,317†	1,353	1.8
Manufacturing	15,186	15,875	16,284	15,748	15,343	15,353	14,380	13,847	13,602	14,111	14,557	15,007	14,362	19.5
(20) Food Manufacturing	4,188*	4,349*	4,842*	5,179*	4,818*	4,478*	3,773†	3,314	3,085†	3,186†	3,390†	3,580†	4,015	5.1
(24) Lumber Manufacturing	3,221*	3,343*	3,388*	3,340*	3,353*	3,306*	2,973†	2,859†	2,797†	3,067*	3,282*	3,550*	3,208	4.2
(27) Printing & Publishing	1,362†	1,402*	1,262†	1,407*	1,358†	1,356†	1,262†	1,251	1,375*	1,340†	1,397*	1,374*	1,363	1.8
(26) Petroleum Products	905*	900*	905*	731†	697†	663†	650†	663	662†	694†	675†	736	736	1.0
(35) Non Ferrous Metals	4,162†	4,264†	4,193†	4,201†	4,142†	4,153†	4,379*	4,480*	4,240*	4,473*	4,425*	4,629*	4,301	5.6
(31F) Misc. Manufacturing	1,348*	1,319†	1,285†	1,426*	1,410*	1,397*	1,243†	1,180†	1,343*	1,351*	1,378*	1,385*	1,339	1.8
Transportation, Communication and Utilities	5,980	6,093	6,076	5,853	5,545	5,446	5,085	4,977	5,164	5,693	5,845	5,936	5,642	7.4
(41-45) Transportation	1,836*	1,885*	1,936*	1,833*	1,799*	1,698†	1,616†	1,579†	1,641†	1,752†	1,824*	1,941*	1,779	2.3
(46) Telephone & Telegraph	1,269*	1,266*	1,256†	1,234†	1,254†	1,214†	1,214†	1,214†	1,243†	1,283*	1,308*	1,349*	1,258	1.7
(48-49) Utilities	2,875*	2,942*	2,884*	2,773*	2,520†	2,494†	2,269†	2,184†	2,280†	2,658*	2,713*	2,646*	2,605	3.4
Wholesale & Retail Trade	26,978	27,813	27,813	27,123	27,385	27,855	23,781	23,587	24,498	24,898	25,328	26,050	21,108	34.2
(50-52) Wholesale Trade	7,955*	7,277*	7,363*	7,363*	7,333*	7,076*	6,107†	6,340†	6,618†	6,573†	6,609†	6,860†	6,885	9.1
(53-57) Retail Trade	13,499†	13,489†	13,454*	13,539*	13,580*	14,624*	12,017†	11,895†	12,603†	12,824†	12,561†	13,157*	13,103	17.1
(71) Eating & Drinking Places	5,108*	5,394*	5,469*	4,701*	4,516*	4,316*	3,491*	3,358†	3,406†	3,881†	4,003†	4,243†	4,466	8.9
(75) Filling Stations	1,815*	1,815*	1,666*	1,666*	1,653*	1,639†	1,409†	1,414†	1,471†	1,471†	1,693*	1,788*	1,644	2.1
(60-66) Finance, Insurance and Real Estate	2,453†	2,198†	2,480†	2,444†	2,430†	2,464†	2,170†	2,463†	2,507†	2,613*	2,642*	2,676*	2,512	3.3
Service	8,609	8,626	8,218	7,892	7,650	7,639	7,048	7,048	7,174	7,428	7,428	8,086	7,762	10.1
(70) Hotels & Rooming Houses	2,553*	2,538*	2,292†	1,904†	1,836†	1,782†	1,614†	1,664†	1,654†	1,647†	1,793†	2,519*	1,976	2.7
(72) Personal Service	1,855*	1,851*	1,813*	1,763*	1,763*	1,754*	1,564†	1,563†	1,591†	1,658†	1,691†	1,736*	1,712	2.2
(73-76) Business & Repair Services	1,011*	1,039*	968*	891*	845†	788†	731†	731†	752†	881*	855*	809	852	1.1
(78-79) Motion Pictures and Amusements	1,301*	1,315*	1,417*	1,427*	1,396*	1,387*	1,167†	1,149†	1,168†	1,137†	1,117†	1,027†	1,251	1.6
(80-86) Professional and Social Services	1,883†	1,918†	1,907†	1,907†	1,868†	1,928†	1,972*	1,911*	1,973*	1,928†	1,972*	1,995*	1,931	2.5
Miscellaneous n.e.c. §	59†	61†	56†	47†	88*	83*	80*	51†	49†	103*	122*	147*	79	0.1

§ Not elsewhere classified.



TABLE NO. 2-C

# FLUCTUATION OF EMPLOYMENT BY INDUSTRY BY MONTHS

## July 1941—June 1942

\* Higher than average for period.

† Lower than average for period.

Highest and Lowest months in bold face.

Industry	July No. Em- played	Aug. No. Em- played	Sept. No. Em- played	Oct. No. Em- played	Nov. No. Em- played	Dec. No. Em- played	Jan. No. Em- played	Feb. No. Em- played	March No. Em- played	April No. Em- played	May No. Em- played	June No. Em- played	Ave. No. Em- played 12 Months	Pct. of Total Em- play- ment
<b>All Industries</b>	81,893*	82,788*	83,034*	82,460*	80,287*	79,453*	74,539†	72,548†	73,242†	73,149†	73,977†	75,690†	77,753	100.0
<b>Mining</b>	14,875	14,796	15,420	15,420	15,424	15,709	15,646	15,800	15,777	15,466	15,093	15,020	15,414	19.8
(10) Metal Mining	11,829†	11,579†	11,798†	11,998†	12,233†	12,623*	12,837*	12,825*	12,863*	12,673*	12,307*	11,969†	12,289	15.8
(12) Coal Mining	1,038†	1,175†	1,596*	1,633*	1,619*	1,635*	1,629*	1,544*	1,406*	1,180*	1,109†	1,235†	1,400	1.8
(13) Petroleum and Natural Gas Production	1,560*	1,621*	1,672*	1,677*	1,361†	1,276†	1,361†	1,174†	1,169†	1,215†	1,225†	1,322*	1,376	1.8
(14) Nonmetallic Mining	455*	424*	414*	388†	211†	169†	230†	254†	339†	398*	452*	494*	1,349	0.4
<b>Construction</b>	6,122	6,160	5,782	5,197	4,923	3,454	2,568	2,279	2,452	3,376	4,158	4,785	4,221	5.4
(15) Contractors, Building	1,825*	1,825*	1,825*	1,721*	1,498*	1,181†	774†	584†	680†	1,114†	1,136†	1,123†	1,265	1.6
(16) Contractors, Other	2,870*	2,873*	2,475*	1,919*	1,364†	1,048†	947†	897†	966†	1,114†	2,157*	2,835*	1,810	2.3
(17) Contractors, Spec. Trade	1,431*	1,462*	1,485*	1,557*	1,461*	1,275*	847†	798†	866†	891†	865†	827†	1,146	1.5
<b>Manufacturing</b>	15,824	16,024	16,609	16,241	15,955	15,349	14,970	14,550	14,825	15,090	15,466	15,604	15,542	20.0
(20) Food Manufacturing	4,144*	4,077*	4,530*	4,336*	4,080	3,674†	3,364†	3,066†	3,129†	3,196†	3,336†	3,471†	3,698	4.8
(21) Lumber Manufacturing	3,676†	3,803*	4,060*	4,063*	4,105*	3,953*	3,559†	3,355†	3,362†	3,571†	3,768*	3,841*	3,763	4.8
(27) Printing & Publishing	1,938*	1,370*	1,370*	1,376*	1,351*	1,371*	1,325*	1,317*	1,313*	1,182†	1,181†	1,175†	1,313	1.7
(28) Petroleum Products	665†	678†	724†	703†	720*	707†	1,014*	977*	1,000*	993*	1,061*	988*	852	1.1
(29) Petroleum Metals	4,907	4,572†	4,413†	4,353†	4,351†	4,442†	4,552†	4,716*	4,838*	4,928*	4,801*	4,804*	4,605	5.9
(30) Miscellaneous Mfg.	1,451*	1,493*	1,507*	1,410*	1,349*	1,196†	1,184†	1,119†	1,183†	1,214†	1,289†	1,327*	1,311	1.7
<b>Transportation, Communication and Utilities</b>	6,183	6,260	6,219	6,199	6,057	5,798	5,481	5,354	5,527	5,419	5,465	5,723	5,807	7.5
(41-45) Transportation	2,056*	2,143*	2,083*	2,063*	2,044*	1,931†	1,888†	1,879†	2,013*	1,765†	1,753†	1,901†	1,956	2.6
(46) Telephone & Telegraph	1,370*	1,377*	1,361*	1,358*	1,347*	1,359*	1,324†	1,301†	1,309†	1,326†	1,325†	1,355*	1,343	1.7
(48-49) Utilities	2,757*	2,740*	2,825*	2,778*	2,666*	2,508*	2,269†	2,174†	2,205†	2,328†	2,387†	2,458†	2,508	3.2
<b>Wholesale and Retail Trade</b>	27,444	28,038	27,765	27,923	27,828	28,331	25,212	24,335	24,447	23,915	23,623	23,869	26,061	33.5
(50-53) Wholesale Trade	7,254*	7,480*	7,585*	7,511*	7,209*	7,035*	6,869†	6,661†	6,699†	6,607†	6,277†	6,476†	6,974	9.0
(53-57) Retail Trade	13,616*	13,840*	13,740*	13,846*	14,011*	14,915*	12,891†	12,041†	12,223†	12,215†	12,065†	12,011†	12,094	16.8
(71) Eating & Drinking Places	4,883*	4,649*	4,683*	4,768*	4,714*	4,664*	4,150†	4,111†	4,111†	3,765†	3,921†	4,011†	4,356	5.6
(75) Filling Stations	1,836*	1,785*	1,785*	1,738*	1,734*	1,717*	1,596†	1,527†	1,485†	1,328†	1,359†	1,361†	1,619	2.1
<b>(60-66) Finance, Insurance and Real Estate</b>	2,682*	2,684*	2,685*	2,711*	2,688*	2,713*	2,638†	2,601†	2,576†	2,597†	2,610†	2,637†	2,652	3.4
<b>Service</b>	8,660	8,702	8,430	8,440	7,928	8,016	7,627	7,533	7,570	7,208	7,468	7,947	7,961	10.3
(70) Hotels & Rooming Houses	2,673*	2,630*	2,104*	1,914†	1,781†	1,724†	1,689†	1,703†	1,661†	1,580†	1,702*	2,094*	1,938	2.5
(72) Personal Service	1,374*	1,983*	1,815*	1,892*	1,853*	1,906*	1,731†	1,701†	1,735†	1,607†	1,675†	1,734†	1,807	2.4
(73-76) Business and Repair Services	912*	826*	826*	793†	787†	797†	780†	784†	790†	728†	759†	758†	804	1.0
(78-79) Motion Pictures and Amusements	937*	912*	826*	793†	787†	797†	780†	784†	790†	728†	759†	758†	804	1.0
(80-85) Professional and Social Services	1,065†	2,032†	2,275*	2,387*	2,112*	2,189*	2,004†	1,949†	1,946†	1,995†	2,098†	2,271*	2,106	2.7
Miscellaneous n.e.c.	103*	124*	124*	103*	83†	83†	107*	66†	68†	78†	94†	105*	95	0.1

§Not elsewhere classified.

## Law Fair to Seasonal Workers

Some states have jokers in their laws reducing, or almost eliminating, benefit payments to seasonal workers. The Montana law is wide open and makes no distinction between the seasonal and regularly employed worker. The methods used to accomplish the purpose of reducing benefits to seasonal workers in other states include: permitting the use of wage credits earned in seasonal employment only in the seasonal period; lengthening the waiting period for workers engaged in seasonal industry; requiring a specified percentage of earnings in three or more of the quarters of wage records considered in computing benefit amounts; and various other qualifications tending to reduce or eliminate benefits.

The unfairness of such legal jokers rests upon the assumption that unemployment compensation was designed to relieve for a temporary period, men and women who have earned wage credits, and who have so demonstrated their productive ability, have lost their jobs and are unable to find other employment. That the seasonal worker, generally speaking, is in greatest need does not appear to influence many unemployment compensation commissions, but we believe this factor also should be considered. If the seasonal worker is eliminated, there will be a tendency to reduce unemployment compensation to the hard core of employment, and the benefits of the law will reach a much smaller percentage of Montana workers.

## Governmental Regulations

Whatever control the individual employer may have had over payrolls in his establishment prior to the war, it is evident that since December 7, 1941, he is completely helpless to determine extent or duration of employment.

The government has ordered the elimination of automobile production; restricted gas consumption; commandeered merchant shipping; established price control; and permits the seizure of property necessary for national defense. The government is spending billions of dollars in new plants—not only in this country—but in Canada, South America and other parts of the world. The government has established an elaborate system of priority. It now rations goods and materials. Millions are engaged in war production work, with other millions in government service, and still additional millions in the armed forces.

Under this shattering impact all American economy is dis-

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### TABLE NO. 3A

The method of measuring fluctuation of employment by differences between high and low months of employment was selected as an approximate measure of the number of workers "to constitute a pool" more or less attached to each industry, who are called back in periods of high employment. The fluctuation by industries occurs at different periods of the year. The construction industry is active during the summer months and dormant during the winter season. Some industries, such as the finance group, maintain steady employment the year around, and, in consequence, their range of employment percentages will be low. The average variation of all industries decreased from 29.8 percent in 1939-40 to 22.7 percent in 1941-42. The table shows the rank of each industry from lowest to highest.

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TABLE NO 3A

## RANGE OF EMPLOYMENT BY INDUSTRY—1

Industry—	Number Employed Lowest and Highest Months (1939-40)				Ratio (Percent) of Range to Employment in Highest Month (1941-42)				(—3)				
	Low- est Mo.	High- est Mo.	Differ- ence	High- est Mo.	Low- est Mo.	Differ- ence	High- est Mo.	Low- est Mo.	Differ- ence	% '39 1940	% '40 1941	% '41 1942	Rank '39, '40, '41, '42
Total All Industries—2	80,632	57,295	23,337	87,170	66,814	20,356	88,171	68,111	20,030	28.9	23.1	22.7	
<b>Mining</b>													
(10) Metal Mining	9,195	6,870	2,325	11,520	10,837	683	12,863	11,579	1,284	25.3	5.9	10.0	11
(12) Coal Mining	1,488	814	674	1,586	830	756	1,635	1,038	597	45.3	47.7	36.5	22
(13) Petroleum and Natural Gas Production	1,443	1,122	321	1,604	1,325	279	1,677	1,169	508	22.2	17.4	30.3	13
(14) Non-metallic Mining	401	112	289	437	179	258	494	169	325	72.1	59.0	65.8	24
<b>Construction</b>													
(15) Contractors, Building	2,269	629	1,640	2,433	880	1,553	1,825	584	1,241	72.3	63.8	68.0	25
(16) Contractors, Other	4,428	922	3,506	3,925	1,003	2,922	2,873	897	1,976	79.2	74.4	68.8	26
(17) Contractors, Special Trades	1,664	810	854	1,744	920	824	1,557	798	759	51.3	47.2	48.7	23
<b>Manufacturing</b>													
(20) Food Manufacturing	4,819	2,747	2,072	5,179	3,085	2,094	4,530	3,066	1,464	43.0	40.4	32.3	21
(21) Lumber Manufacturing	2,935	2,285	652	3,550	2,737	753	4,105	3,355	750	22.2	21.2	18.3	12
(27) Printing and Publishing	1,419	1,205	214	1,407	1,262	145	1,175	223	15.1	10.3	16.0	3	
(29) Petroleum Products	936	645	291	905	650	255	1,061	665	396	31.1	28.2	37.3	17
(35) Nonferrous Metals	3,507	2,942	565	4,480	4,112	368	4,328	4,351	577	16.1	8.2	11.7	5
(MF) Miscellaneous Mfg.	1,159	765	394	1,426	1,180	246	1,507	1,119	388	34.0	17.3	25.7	19
<b>Transportation, Communication and Utilities</b>													
(41-45) Transportation	1,812	1,442	371	1,941	1,579	362	2,143	1,753	390	20.5	18.7	18.2	11
(46) Telephone and Telegraph	1,271	1,141	130	1,349	1,200	149	1,377	1,301	76	10.2	11.0	5.5	1
(48-49) Utilities	2,688	2,174	514	2,942	2,184	758	2,825	2,174	651	19.1	25.8	23.0	7
<b>Wholesale and Retail Trade</b>													
(50-52) Wholesale Trade	7,265	6,217	1,048	7,964	6,340	1,624	7,585	6,277	1,308	14.4	13.9	17.2	2
(53-57) Retail Trade	14,064	11,187	2,877	14,624	11,877	2,729	14,915	12,011	2,904	20.4	18.7	19.5	10
(71) Eating & Drinking Places	4,959	3,652	1,307	5,394	3,881	1,513	4,883	3,765	1,118	26.4	28.0	22.9	15
(75) Filling Stations	1,773	1,266	507	1,815	1,409	406	1,886	1,328	508	28.6	22.4	27.7	16
(60-66) Finance, Insurance and Real Estate	2,438	1,951	487	2,476	2,430	246	2,713	2,576	137	20.0	9.2	5.0	9
<b>Service</b>													
(70) Hotels & Rooming Houses	2,513	1,500	1,013	2,553	1,614	939	2,673	1,580	1,093	40.3	36.8	40.9	20
(72) Personal Services	1,789	1,434	355	1,855	1,563	292	1,983	1,675	308	19.8	15.7	15.5	8
(73-76) Business and Repair Services	1,047	705	342	1,039	731	308	937	728	209	32.7	29.6	22.3	18
(78-79) Motion Pictures and Amusements	1,260	1,058	202	1,427	1,027	400	1,464	1,065	399	16.0	28.0	27.3	4
(80-86) Professional and Social Services	2,089	1,702	387	1,995	1,883	112	2,387	1,946	441	18.6	5.6	18.5	6

1.—Total of all highest and lowest months of each industry.

2.—Lowest to highest.

3.—Range of employment is defined as difference between numbers employed in lowest month (minimum) and employed in highest month (maximum).

torted. Talk about experience rating in unemployment compensation, and the equity of reduced rates to "stabilized" employers, approaches absurdity in such an economy. Responsibility for unemployment depends almost exclusively upon government purchases, government regulations, government fixed prices, and government-paid, directly or indirectly, employees.

Many individual employers are as helpless to chart their own courses, under present conditions, as the soldiers. Individual enterprise, in the old sense, is out the window for the duration.

Equity in tax collection during such a period is impossible, it is agreed, but to further distort the present picture by attempting to classify "good" and "bad" employers upon ups and downs of pay rolls, over which they have no control, and using the before-the-war period as a basis to do so, seems so ridiculous we shall not even cite examples.

The entire question of variable rates for social security protection should be postponed at least until after the war, and this commission feels the only wise course is to build reserves in preparation for the inevitable readjustments that will occur at the conclusion of the war.

### Depressional Unemployment

Depressional or cyclical unemployment is intermittent and in the period covered by benefit payments in Montana (starting July 1, 1939) cannot properly be measured.

High business mortality is a feature of our economy. About half of all business enterprises over the country disappear every five years. In Montana about 500 of our 10,500 employers, covered by the unemployment compensation law, go out of business each year. It is, of course, impossible to assess benefit costs against bankrupt concerns, and in depressional periods the number of individual employers who are compelled to lock their doors increases quite rapidly. Experience rating tax provisions obviously should include an allowance for unpredictable liabilities.

But how much is to be allowed? How can adequate provision be made for such allowances?

Montana cash reserves are much larger today because we did not pay benefits in 1938, (paid in a majority of the states, Montana and Illinois being the last states to begin benefit payments). The state suffered a minor depression in 1938. Employers' reports showed a total decline in numbers of employed of 11,525 persons, and a \$7,-193,000 decline in pay rolls throughout the four quarters of the year. This decline was in spite of the normal summer uptrend due to seasonal reasons.

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**TABLE NO. 3B**

**Deviation of Employment by Industries, 1939-40, 1940-41, and 1941-42**

This table shows an alternative method of measuring fluctuation of employment based on average employment for the year. The deviations of variations from each month from the average of the year is divided by the average number employed. In general, the deviation percentages correspond with the range of employment percentages.

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TABLE NO. 3B

## DEVIATION OF EMPLOYMENT FROM AVERAGE EMPLOYMENT BY INDUSTRY

Industry	1939-1940			1940-1941			1941-1942		
	Average Number Employed	Average Deviation	Average Deviation Divided by Employment	Average Number Employed	Average Deviation	Average Deviation Divided by Employment	Average Number Employed	Average Deviation	Average Deviation Divided by Employment
Total 26 Industries .....	69,318	6,239	9.0	76,471	5,752	7.5	77,658	6,320	8.1
<b>Mining</b>									
(10) Metal Mining .....	8,312	632	7.6	11,095	179	1.6	12,289	400	3.3
(12) Coal Mining .....	1,203	239	19.9	1,240	241	19.4	1,400	211	15.1
(13) Petroleum and Natural Gas Prod.....	1,291	71	5.5	1,464	66	4.5	1,376	171	12.4
(14) Nonmetallic Mining .....	256	84	32.8	324	81	25.0	349	91	26.1
<b>Construction</b>									
(15) Contractors, Building .....	1,498	472	31.5	1,687	503	29.8	1,265	394	31.1
(16) Contractors, Other .....	2,865	1,052	36.7	2,362	838	35.5	1,810	711	39.3
(17) Contractors, Special Trades .....	1,333	261	19.6	1,353	233	17.2	1,146	299	26.1
<b>Manufacturing</b>									
(20) Food Manufacturing .....	3,680	506	13.8	4,015	627	15.6	3,698	446	12.1
(24) Lumber Manufacturing .....	2,498	136	5.4	3,208	189	5.9	3,763	214	5.7
(27) Printing and Publishing .....	1,331	66	5.0	1,363	94	1.8	1,313	67	5.1
(29) Petroleum Products .....	738	92	12.5	736	24	1.6	852	153	17.9
(35) Nonferrous Metals .....	3,223	185	5.7	4,301	120	2.8	4,605	177	3.8
(MF) Miscellaneous Manufacturing .....	937	100	10.7	1,339	55	4.1	1,311	113	8.6
<b>Transportation, Communication and Utilities</b>									
(41-45) Transportation .....	1,640	125	7.6	1,779	101	5.7	1,956	102	5.2
(46) Telephone and Telegraph .....	1,229	27	2.2	1,258	31	2.5	1,343	21	1.6
(48-49) Utilities .....	2,426	124	5.1	2,605	211	8.1	2,508	204	8.1
<b>Wholesale and Retail Trade</b>									
(50-52) Wholesale Trade .....	6,808	273	4.0	6,895	326	4.7	6,974	388	5.6
(53-57) Retail Trade .....	12,606	604	4.8	13,103	554	4.2	13,641	902	6.9
(71) Eating and Drinking Places .....	4,353	328	7.6	4,466	469	10.5	4,374	362	8.3
(75) Filling Stations .....	1,526	135	8.8	1,644	112	6.8	1,619	175	1.1
(60-66)									
<b>Finance, Insurance and Real Estate</b> .....	2,135	164	7.7	2,512	66	2.6	2,652	42	1.6
<b>Service</b>									
(70) Hotels and Rooming Houses .....	1,906	238	12.5	1,976	319	16.1	1,938	292	1.5
(72) Personal Services .....	1,657	94	5.7	1,712	83	4.8	1,807	95	5.3
(73-76) Business and Repair Services .....	829	71	8.6	852	84	9.9	804	41	5.5
(78-79) Motion Pictures and Amusements..	1,194	65	5.4	1,251	123	9.8	1,306	126	9.9
(80-86) Professional and Social Services..	1,844	95	5.2	1,931	33	1.7	2,106	117	5.6

The decline in the number employed in mining was 26.1% of the total decline. Decline in pay rolls for the industry amounted to 41.9% of the total decline in pay rolls.

Contract construction decline was 11.4% in number employed and 18.5% in wages paid. Manufacturing percentage declines were 12.3% and 19.6%.

Trade accounted for 18.1% of the decline in persons employed and 8.5% in wages declines.

Personal service accounted for 19.3% of the decline in persons employed and 6.0% of the wage declines.

Thus, it appears, in depressional periods some of the more stable industries account for a high percentage of unemployment.

As an example, in the state's large mining industry, employment fluctuated as follows:

### Number Employed by Quarters

	Average Number of Workers	Wages Paid
4th Quarter 1937 .....	13,982	\$5,982,000
1st Quarter 1938 .....	9,232	3,879,000
2nd Quarter 1938 .....	7,946	3,214,000
3rd Quarter 1938 .....	7,648	2,861,000
4th Quarter 1938 .....	10,197	4,023,000

### Inventive or Technological Unemployment

The inventive genius of the American people often costs men and women their jobs. Books have been filled with the subject, so we do not need to summarize here beyond commenting that such changes are beyond the control of the individual employer.

A Montana baker, attempting to stay in business, employing women to wrap bread against a competitor who uses a bread wrapping machine, is not likely to long maintain his bank credit. Coal mine operators in Montana facing gas and oil and further competition from huge electric shovels, watched their numbers of workers dwindle from 4,000 to nearly 1,500 in the period from 1920 to 1940—watched and were helpless, except by installing cutting machines in their own mines to still further reduce numbers employed.

Mechanization of field work in the beet sugar industry may in the future reduce, by some 10,000 men, the numbers required to plant and harvest this important Montana crop.

TABLE NO. 4

### Rank of Industries in Order of Range of Employment

For this table, the data in Table No. 3A have been listed by industries according to the range of employment ratios in order from the lowest to highest for the three-year period. The percent of employment for each industry to the total number employed is shown. The data indicate a substantial improvement in steadiness of employment in 1940-41 over 1939-40. In 1941-42 there was a lower proportion of industries under the 10 percent range than in 1940-41. Among the industries which are fairly stable are metal mining and non-ferrous metals, wholesale and retail trade, utilities, and printing and publishing. Some of the industries which are relatively unstable are construction, food manufacturing (particularly sugar refining), coal mining, and hotels and rooming houses.

TABLE NO. 4

## RANK OF INDUSTRIES IN ORDER OF RANGE OF EMPLOYMENT

Industry	1939-1940				1940-1941				1941-42			
	Range of Employment %	Total Employment	Cumulative Percent	Rank—1	Industry	Range of Employment %	Total Employment	Cumulative Percent	Rank	Industry	Total Employment Percent	Cumulative Total Employment Percent
ALL INDUSTRIES												
(46) Tel. & Tel.	10.2	1.8	1.8	1	(80-86) Prof. & Soc. Serv.	5.6	2.5	2.5	1	(60-66) Fin. Ins. &	3.4	3.4
(50-52) Whole, Trade	14.4	9.8	11.6	2	(10) Metal Mining	5.9	14.4	16.9	2	Real Estate	5.1	5.1
(27) Print. & Pub.	15.1	1.9	13.5	3	(35) Nonferrous Metal	8.2	5.6	22.5	3	(46) Tel. & Tel.	1.7	1.7
(78-79) Mot. Pic. & Amu.	16.0	1.7	15.2	4	(60-66) Fin. Ins. & R. Est.	8.2	3.3	26.8	4			
(35) Nonferrous Metals	16.1	4.7	19.9	5	(27) Printg. & Pub.	10.3	1.8	27.6	5	(10) Metal Mining	10.0	15.8
(80-86) Prof. & Soc. Ser.	18.6	2.6	22.5	6	(46) Tel. & Tel.	11.0	1.7	29.3	6	(35) Nonferrous Metal	11.7	26.9
(48-49) Utilities	19.1	3.5	26.0	7	(50-52) Whole, Trade	13.9	9.1	38.4	7	(2) Personal Serv.	13.3	40.2
(72) Personal Service	19.8	2.4	28.4	8	(72) Personal Serv.	15.7	2.2	40.6	8	(27) Printg. & Pub.	16.1	56.3
(60-66) Fin. Ins. & R. Est.	20.0	3.0	31.4	9	(MM) Misc. Mfg.	17.3	1.8	42.4	9	(60-52) Whole, Trade	17.9	74.2
(53-57) Retail Trade	20.4	2.3	49.6	10	(13) Petroleum and	17.4	1.9	44.3	10	(41-45) Transportation	18.2	92.5
(41-45) Transportation	20.5	2.3	51.9	11	Nat. Gas. Prod.	17.4	1.9	44.3	10	(24) Lumber Mfg.	18.2	110.7
(21) Lumber Mfg.	22.2	3.6	55.5	12	(53-57) Retail Trade	18.7	17.1	61.4	11	(80-86) Prof. & Soc. Serv.	18.2	128.9
(13) Petroleum & Nat.	22.2	1.9	57.4	13	(41-45) Transportation	18.7	2.3	63.7	12	(53-57) Retail Trade	18.2	147.1
Gas Production	22.2	1.9	57.4	13	(24) Lumber Mfg.	21.2	4.2	67.9	13	(73-76) Business and	16.8	163.9
(10) Metal Mining	25.3	11.8	69.2	14	(75) Filling Stations	22.4	2.1	70.0	14	Repair Serv.	1.0	164.9
(71) Eat & Drink Place	25.4	6.2	75.4	15	(48-49) Utilities	25.8	3.4	73.4	15	(71) Eat & Drink Places	22.9	187.8
(75) Filling Stations	28.6	2.2	77.6	16	(78-79) Mot. Pic. & Amu.	28.0	1.6	75.0	16	(48-49) Utilities	23.0	210.8
(29) Petroleum Products	31.1	1.0	78.6	17	(71) Eat & Drink Places	28.0	5.9	80.9	17	(MM) Misc. Mfg.	25.7	236.5
(73-76) Business and	32.7	1.2	79.8	18	(29) Petroleum Prod.	28.2	1.0	81.9	18	(78-79) Mot. Pic. & Amu.	27.3	263.8
Repair Services	32.7	1.3	81.1	19	(75) Business and	29.6	1.1	83.0	19	(75) Filling Station	27.7	291.5
(MM) Misc. Mfg.	34.0	1.3			Repair Service	29.6	1.1	83.0	19		2.1	293.6
(70) Hotels and												
Rooming Houses	40.3	2.8	83.9	20	(70) Hotels and	36.8	2.7	85.7	20	(13) Petroleum and	30.3	323.9
(20) Food Mfg.	43.0	5.3	89.2	21	Rooming Houses	36.8	2.7	85.7	20	Nat. Gas. Prod.	32.3	356.2
(12) Coal Mining	45.3	1.7	90.9	22						(20) Food Mfg.	36.5	392.7
(17) Contr. Spec. Trade	51.3	1.9	92.8	23						(12) Coal Mining	37.3	430.0
(14) Nonmetallic Mining	72.1	0.1	92.9	24						(23) Petroleum Prod.	37.3	467.3
(15) Contr. Building	72.3	2.1	95.0	25						(70) Hotels and	40.9	508.2
(16) Contr. Other	73.2	4.2	99.5	26						Rooming Houses	48.7	556.9
Miscellaneous n.e.c.*		0.5	100.0							(17) Contr. Spec. Trade	65.8	622.7
										(14) Non metallic Min.	68.0	690.7
										(15) Contr. Building	68.8	759.5
										(16) Contr. Other	68.8	828.3
										Miscellaneous n.e.c.*	91.1	919.4

\* Not elsewhere classified.  
† Lowest to Highest.



It is evident that the war will speed power techniques. Not only are great strides being taken in industrial technological advancements, but also in agriculture. The future, says Stuart Chase, will see the human robot, now managing machines, displaced by the mechanical eye.

The billions of dollars being spent by the government for new plants will, with conversion, create new problems of machine-made unemployment.

A state, such as Montana, with little or no war factory work, may be especially hard hit at the end of the war. Great demand will be made, by areas having war plants, to force the conversion of these plants to the uses of peace.

Montana has lost more than 10% of her population in the past two years.

Some 40,000 men and women will go, or have already gone, into the armed forces. In addition, some 30,000 workers, many with their families, have moved to other states to obtain work in defense plants.

Today we have full employment—not principally due to more jobs—but because we have fewer workers.

The state should be more prosperous than in recent years, as long as the war lasts, because wage earnings of individual employees have been increased.

Should a high percentage return, the outlook after the war will not be promising, and we believe reserve funds should be accumulated now to care for the unforeseeable future, when the war has been won.

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**TABLE NO. 5**  
**Subject Wages: Contributions and Benefits Charged by Industry**  
**1939-40, 1940-41, and 1941-42**

This table lists the wages, contributions, and benefits charged (as to most recent employers) by industry for the three-year period.

The total wages subject to contribution increased from 95.7 million dollars in 1939-40 to 112.0 million dollars in 1941-42. Contributions increased correspondingly from 2.6 million dollars in 1939-40 to 3.0 million dollars in 1941-42. Benefits charged decreased from 3.0 million dollars in 1939-40 to 1.6 million dollars in 1941-42. Contributions shown in the table for each of the three years do not correspond to the amounts reported elsewhere in fiscal reports, because the above figures do not include refunds or delinquent accounts collected. However, the discrepancy is minor and does not materially affect the accuracy of the study.

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### **Temperamental Unemployment**

One cause of unemployment is largely within the control of the individual employer and employee; namely, what might be called temperamental unemployment.

Our records show scores of employers, requiring the regular services of two or three workers, use each year as many as fifteen or twenty different individuals. In many instances we feel these employers are temperamentally unfitted to direct others. We also find scores of workers, who in a year may have eight or ten different employers. These men, we feel, are frequently, temperamentally, or for some other reason, unfitted to become satisfactory employees.



# WAGES SUBJECT TO CONTRIBUTION; CONTRIBUTIONS AND BENEFITS CHARGED BY INDUSTRY

TABLE NO. 5

1939-40; 1940-41; 1941-42

Industry	Wages Subject to Contribution			Amount of Contributions			Amount of Benefits Charged—1					
	1939-1940	1940-1941	1941-1942	Average 3 Years	1939-1940	1940-1941	1941-1942	Average 3 Years	1939-1940	1940-1941	1941-1942	Average 3 Years
<b>Total All Industries</b>	\$95,697,831	\$103,239,693	\$111,999,267	\$103,644,561	\$2,532,841	\$2,787,742	\$3,023,980	\$2,795,403	\$2,456,654	\$2,472,226	\$1,676,791	\$2,535,203
<b>Mining</b>	19,489,709	23,655,826	30,118,494	24,421,099	526,222	638,707	813,199	659,370	694,424	750,575	291,112	578,703
(10) Metal Mining	15,344,820	19,020,969	24,857,317	19,740,838	414,310	513,566	671,147	533,002	495,461	558,571	197,105	417,046
(12) Coal Mining	1,757,160	1,811,545	2,443,591	2,004,079	47,442	48,912	65,977	54,110	126,892	128,990	52,371	102,751
(13) Petroleum & Natural Gas Production	2,092,236	2,470,657	2,365,558	2,309,460	56,491	66,708	63,870	62,856	36,045	38,442	26,633	33,700
(14) Non Metallic Mining	295,493	352,655	452,028	366,722	7,979	9,521	12,205	9,902	36,026	24,572	15,003	25,200
<b>Construction</b>	6,803,859	6,490,133	5,418,134	6,237,313	183,704	175,234	146,290	168,408	720,079	599,065	330,740	549,961
(15) Contractors, Building	1,791,521	1,781,405	1,508,992	1,693,956	48,371	48,089	40,743	45,737	162,148	118,821	87,075	122,681
(16) Contractors, Other	3,496,434	3,089,995	2,465,848	3,017,395	94,404	83,430	66,578	81,470	467,733	402,740	188,056	352,843
(17) Contractors, Spec. Tr.	1,515,904	1,618,733	1,443,294	1,525,962	40,929	43,706	38,969	41,201	90,138	77,504	55,609	74,437
<b>Manufacturing</b>	19,083,077	22,318,787	25,825,185	22,589,927	529,187	602,607	698,009	609,928	503,219	455,727	289,346	416,097
(20) Food Manufacturing	5,157,459	5,551,005	5,228,975	5,312,437	139,251	149,877	168,882	143,435	259,129	212,448	141,288	204,288
(21) Lumber Mfg.	3,259,140	4,261,031	5,304,031	4,274,682	87,997	115,047	143,209	115,417	150,036	137,765	86,287	124,694
(27) Printg. & Publ.	2,034,007	2,074,822	1,997,631	2,035,466	54,918	66,027	53,336	53,588	11,022	13,828	9,692	11,714
(29) Petroleum Products	1,314,915	1,350,953	1,732,602	1,466,142	35,503	36,476	46,780	39,585	15,607	16,733	5,121	12,487
(35) Non Ferrous Metals	6,340,171	7,088,637	9,356,938	7,595,173	171,185	191,393	252,637	205,070	15,372	31,701	25,899	25,524
(AMF) Misc. Mfg.	1,493,792	1,992,367	2,232,007	1,906,637	40,333	53,794	60,265	51,463	50,853	43,222	21,959	38,373
<b>Transportation, Communication &amp; Utilities</b>	8,333,601	8,816,930	9,235,871	8,795,379	225,007	238,057	249,369	237,475	142,513	135,473	75,451	117,812
(41-45) Transportation	2,232,519	2,390,268	2,703,617	2,442,230	60,278	64,547	72,998	65,940	62,964	59,664	31,153	51,230
(46) Tel. & Tel.	1,640,460	1,731,718	1,873,351	1,748,492	44,292	46,756	50,581	47,209	14,313	18,224	7,776	13,437
(48-49) Utilities	4,460,622	4,694,584	4,658,903	4,604,657	120,437	126,754	125,790	124,326	65,236	57,585	36,522	53,114
<b>Wholesale &amp; Retail</b>	30,331,979	31,139,319	30,625,236	30,698,638	818,963	840,762	826,881	828,960	693,607	777,005	506,428	659,013
(50-52) Wholesale Trade	10,121,244	10,248,159	10,065,519	10,141,539	273,274	276,700	271,499	273,822	151,233	151,464	115,143	139,280
(53-57) Retail Trade	14,762,541	15,267,523	15,179,894	15,069,835	398,588	412,223	409,857	406,885	284,078	289,605	187,367	253,850
(71) Eating & Drink. Places.	3,916,705	3,930,204	3,731,725	3,859,506	105,751	106,116	100,757	104,207	293,158	177,293	227,539	227,539
(73) Filling Stations	1,531,489	1,693,433	1,658,098	1,627,658	41,350	45,723	44,768	43,946	46,130	42,178	26,125	38,344
(60-66) Finance, Insurance and Real Estate	3,645,002	3,758,260	3,687,978	3,697,043	98,415	101,473	99,575	99,820	22,818	22,017	17,902	20,912
<b>Service</b>	7,016,447	6,989,929	6,976,711	6,994,191	189,436	188,728	188,371	188,843	176,806	223,861	156,279	185,648
(70) Hotels & R'm'g Houses.	1,539,813	1,539,817	1,539,817	1,526,282	41,575	41,575	40,487	41,212	73,005	84,908	69,004	73,666
(72) Personal Service	1,705,094	1,711,425	1,723,237	1,729,901	46,037	46,208	47,877	46,707	33,787	46,096	31,592	39,681
(73-76) Business & Rep. Serv.	950,042	973,761	951,823	958,532	25,651	26,292	25,699	25,880	18,001	19,404	17,470	18,361
(78-79) Mot. Pic. & Amus.	1,068,836	1,065,278	1,065,278	1,068,458	28,859	27,143	25,524	27,175	30,143	42,092	13,178	30,177
(80-86) Prof. & Soc. Serv.	1,752,359	1,759,618	1,806,829	1,772,918	47,314	47,510	48,784	47,869	21,270	31,280	21,416	24,655
<b>Miscellaneous n.e.c.*</b>	478,053	70,509	84,658	211,071	12,907	1,904	2,286	5,699	3,128	8,503	9,532	7,053

\* Not elsewhere classified.

1—As most recent employer.

In both instances a mild but improper drain upon the unemployment compensation reserves, due to unnecessary benefits, is caused. We are unable to recommend any fair corrective measures.

In any event the loss is not great.

In the case of the employer, it is probable time and competition that will take him out of the employing ranks because there is tremendous, unnecessary financial loss in training new employees. In the case of the worker, there will ultimately be improvement or he probably will drop permanently out of the labor market.

### QUESTIONS OF EQUITY

Varied tax collection rates are justified by many advocates of experience rating as a measure of equity.

For example, banks in Montana, in the past three years, have paid in taxes about thirteen times as much as has been paid to bank employees who have lost their jobs. The exact figures for fifty-five banks are, in the three years beginning July 1, 1939 (the start of the benefit paying period in Montana) to July 1, 1942, collections of \$74,157 and disbursements of \$5,574.

Coal miners in Montana, on the other hand, have drawn in benefits approximately twice as much as the employing coal mine units have paid into the commission in the same period. The exact figures in the three year period, July 1, 1939 to July 1, 1942, are: Collections \$162,330 and disbursements \$302,853.

Equity, it is argued, would reduce all taxes if possible, but in any event, would greatly reduce the tax rate upon banks, even if it be necessary to increase the tax rate upon coal mine operators.

In Montana, employees in the following industries have drawn more in benefits than has been paid into the fund by their employers:

- Coal mining
- Non-Metallic mining
- Construction
- Food manufacturing
- Lumber manufacturing
- Eating and drinking places
- Hotels and rooming houses
- Motion pictures and amusements

Employers in the following industries have paid in contributions much more than has been disbursed to their employees in benefits:

- Metal mining
- Petroleum and natural gas production
- Printing and publishing
- Petroleum products
- Nonferrous metals
- Miscellaneous manufacturing
- Transportation, communications and utilities
- Wholesale and retail trade
- Filling stations
- Finance, insurance and real estate
- Personal services
- Business and repair services
- Professional and social services

Equity, it is contended, demands an adjustment, and it is admitted a strong argument is presented by the tremendous variation shown in Montana in tax collections, and benefits paid—not only as paid to workers in the various industries—but even as paid by the individual employing units in the same industry.

However, such reasoning tosses into the ash can one of the long-established principles of taxation in America; namely *ability to pay*. Variable tax rates would, it appears, in many instances strengthen the strong and penalize the weak.

### Unemployment a Social Problem

Unemployment compensation is, if anything, a social benefit that should be met by the common action of all. European countries, Canada, and many South American countries recognize this principle and assess a portion of the tax collections against the general public. Unemployment is a social problem because it is futile to speak of fault when dealing with unemployment; the Montana commercial coal mine operator discharges his workers because he must; he regrets the necessity just as much as the banker. He cannot sell coal in the summer because people will not buy; he cannot work his men; if he does, he goes out of business. We do not levy taxes only upon citizens sending children to the public schools. If children are sent to private schools, or even if the taxpayer has no children, the tax-due bill arrives with equal regularity. Citizens are not relieved of taxes on municipal fire departments, either upon the basis of use, individual experience, or even personal negligence. Public hospitals are supported by the public regardless of use. Such charges are properly made upon the basis of ability to pay because they are social charges in which all should participate, and they are not and should not be made upon the basis of use.

Now, the theory of ability to pay might properly levy a higher tax for unemployment compensation, as is the case with many other social problems, upon firms and industries fortunate enough to have stable employment. This reasoning would justify a lower tax upon coal mine operators and other enterprises having irregular employment.

### Stable Concerns Profitable

Stability brings ease of management and often profit. Industries fortunate enough to be stable are usually profitable. Enterprises that are intermittent and irregular are generally weak and sustain heavy financial losses, due to their irregularity. To add to their burdens may not be in the public interest. Higher unemployment compensation rates to such individual employing units, or industries, may only aggravate their condition. We contend that broad consideration of sound social and economic policies might properly hold that the stable industries, because of their stability and stronger financial position, face the higher charges, although we do not here advocate such a change in the Montana law and merely point out the obvious conclusions.

Furthermore, the sellers of services and goods are generally the most stable of industries. Large department stores are able to

carry on at a substantial rate even during the valley of a depression. The manufacturer, the processor, the producing mine, generally what is called the heavy capital goods industries, may be compelled in dark days to lock their doors completely. The purveyor of goods or services has a chance to add the contribution tax to the price of his goods. Yet the service and trade industries, at the first sign of a cloud in the business skies, by curtailing orders and reducing inventories, contribute to the irregularity of the capital goods industry. How can we properly allocate responsibility? Does not equity require that the capital goods industry, the pay roll making industries (the units of our economic life making the sales and service industries possible) receive equal tax treatment? Will equity fail to consider the usefulness of industry?

Nor does equity always rest with the individual employer with a low benefit ratio.

An employee of one company loses his job. He finds another in less than three weeks. No benefits are paid. No charge is made against the employer's account. In Montana approximately 20% of all workers find new jobs before reaching the benefit stage. An employee of a competitor loses his job. He does not find work for months, and the employer's account is charged with benefit payments. Is the first employer entitled to a lower tax rate? Should the tax rate of the second be increased? Hundreds of instances of a lack of equity are apparent in all experience rating laws providing for variable tax rates.

### Flat Rate Reduction Not Possible

The principle of experience rating is strongly entrenched in the unemployment compensation state systems. This is largely because in no other way can the employers obtain a reduction in taxes. If Montana were to reduce the present contribution rate, on all employers, from 2.7% to 2%, as a uniform basis, and without experience rating, a Montana employer would pay 2% to the Montana commission instead of 2.7% now paid, but he would pay 1% to the federal government to remain in the federal treasury instead of going into

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**TABLE NO. 6**  
**Ratios: Benefits to Contributions; Benefits to Pay Rolls**  
**1939-40, 1940-41, and 1941-42**

This table is a measure of employers' experience in the payment of benefits. The table shows the respective ratios from the total amount of pay rolls, contributions, and benefits in Table No. 5. The ratio of benefits to contributions is the amount of contributions divided by the amount of benefits charged multiplied by 100, the results being in percentages. The ratio of benefits to pay rolls is the amount of benefits divided by the annual pay roll and multiplied by 100, the results being in percentages. The benefit pay roll ratio is the percent of the pay roll paid out as benefits and represents the percent of the employer's pay roll necessary to bring contributions in balance with benefits.

The ratio of benefits of all industries to contributions decreased from 114.4 in 1939-40 to 55.4 in 1941-42. The ratio of benefits to pay rolls decreased from 3.1 percent in 1939-40 to 1.5 percent in 1941-42.

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TABLE NO. 6—1

**Ratios: Benefits to Contributions by Industries, 1939-40, 1940-41, 1941-42**  
**Ratios: Benefits to Payroll by Industries, 1939-40, 1941-41, 1941-42**

Industry	Ratio, Benefits to Contributions		Average		Ratio, Benefits to Payroll-2		Average
	1939-40	1940-41	1941-42	3 Years	1940-41	1941-42	Ratio 3 Years
All Industries	114.4	106.6	55.4	90.6	3.1	2.9	2.4
Mining							
(10) Metal Mining	132.0	117.5	33.6	86.9	3.6	3.2	2.4
(12) Coal Mining	119.6	108.8	27.7	77.6	3.2	2.9	0.8
(13) Petroleum and Natural Gas Productions	267.5	263.7	71.2	186.6	7.2	7.1	2.0
(14) Non-Metallic Mining	63.8	57.6	40.4	53.6	1.7	1.6	1.1
	451.5	258.1	116.7	252.0	12.2	7.0	3.2
Construction							
(15) Contractors, Building	392.0	341.9	223.3	325.7	10.6	9.2	8.0
(16) Contractors, Other	335.2	247.0	211.9	267.7	9.1	3.7	7.7
(17) Contractors, Special Trade	495.5	482.7	281.4	432.8	13.4	13.0	11.7
	220.4	177.3	135.7	178.5	6.0	4.8	4.8
Manufacturing							
(20) Food Manufacturing	96.7	75.6	40.3	67.8	2.6	2.0	1.3
(24) Lumber Manufacturing	186.7	141.7	96.8	141.4	5.0	3.8	3.8
(27) Printing and Publishing	186.1	149.8	59.9	107.9	4.6	3.2	1.6
(29) Petroleum Products	21.2	24.7	18.0	21.3	0.6	0.7	0.5
(35) Non-Ferrous Metals	41.0	43.9	8.7	30.7	1.2	1.2	0.8
(MF) Miscellaneous Manufacturing	9.3	16.6	10.0	11.9	0.3	0.4	0.3
	126.0	80.3	32.8	73.7	3.4	2.2	2.0
Transportation, Communication and Utilities							
(41-45) Transportation	63.3	56.9	29.0	49.2	1.7	1.5	1.3
(46) Telephone and Telegraph	104.5	92.4	40.3	76.9	2.8	2.5	1.1
(48-49) Utilities	32.3	39.0	15.0	28.3	0.9	1.1	0.4
	54.2	45.4	28.1	42.4	1.5	1.2	0.8
Wholesale and Retail Trade							
(50-52) Wholesale Trade	81.7	92.4	60.0	79.1	2.3	2.5	1.6
(53-57) Retail Trade	55.3	54.7	41.1	50.4	1.5	1.5	1.1
(71) Eating and Drinking Places	71.3	70.3	45.7	62.3	1.9	1.9	1.2
(75) Filling Stations	201.0	276.3	170.3	216.5	5.4	7.5	1.6
	111.6	93.6	58.3	87.2	3.0	2.5	1.6
(60-66)							
Finance, Insurance and Real Estate	23.2	21.7	17.1	20.7	0.6	0.6	0.6
Service							
(70) Hotels and Rooming Houses	93.3	119.1	80.3	97.6	2.5	3.2	2.6
(72) Personal Services	177.0	202.3	165.2	181.7	4.8	5.5	4.9
(73-76) Business and Repair Services	73.4	101.7	71.8	82.2	2.0	2.7	1.9
(78-79) Motion Pictures and Amusements	70.2	73.8	38.7	61.0	1.9	2.0	1.6
(80-86) Professional and Social Services	104.4	158.8	72.8	112.6	2.8	4.3	3.0
Miscellaneous, n. e. c.	45.0	65.8	44.2	51.6	1.2	1.8	1.4
	12.0	254.6	221.4	67.0	0.3	6.7	1.8

\*Not elsewhere classified. 1—Calculated from Table 5. 2—Payroll-wages subject to contributions.

the state fund, with no benefit to Montana. A flat rate reduction, therefore, is impossible until congress first acts.

In spite of this, the experience rating laws are obtaining tax reductions for a selected group of employers in a majority of the states.

### Should Maintain Contract

Other questions of equity have been overlooked in such states. It appears, if the state is to reduce the over-all tax collections, the state should then *guarantee* benefit payments to workers. Many firms have paid the full tax rate in Montana in good faith. The past experience of hundreds of these firms, as to stabilized employment, is excellent. For reasons beyond their control, they may shortly be compelled to cut to one-half their present pay roll. Since December 7, 1941, our own government has forced hundreds of these concerns to do exactly this. Do they not have the right to expect that their laid-off workers will receive benefits? Is there not an implied agreement, since they have paid, that others will continue to pay at the same rate, in order to maintain the solvency of the fund and permit the proper discharge of obligations to the unemployed? Should the state further become insolvent, because of tax reductions, does not the worker who has worked steadily for years and suddenly loses his job, have rights? In Montana it is apparent that employees now show a steady preference for an employer who is covered by the act. There are scores of instances where an employee is willing to work, even at a lower salary, for an employer who is covered. Does not the state then enter into a contract with this man to see that the law and obligations involved are discharged, should he lose his position and be unable to obtain work, through no fault of his own?

### Stabilization of Employment

The statement of a majority of the Advisory Council of the state of New York, opposed in principle to experience or merit rating or any form of variation in the rate of contributions, with reference to the questions of stabilization of employment is so able and thought-provoking that it is partially reproduced, as follows:

"The causes of unemployment are beyond the power of any single employer or even an entire industry to control. There is no point in laboring over the obvious. Nor is it necessary once more to point out that the losses which an employer sustains because of the irregular operation of his plant exceed by a wide margin the fullest contribution that could be asked of him for unemployment insurance. Thus, every employer has these many years already had a financial incentive to stabilize greater than any savings that can be promised him under any system of experience rating.

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**TABLE NO. 7**  
**Rank of Industries in Order of Benefit-Pay Roll Ratios**  
**1939-40, 1940-41, and 1941-42**

In Table No. 4 the rank of industries was shown in order or range of employment, which is a measure of employment experience by number employed. In Table No. 7, which is a measure of employer benefit experience, the respective industries are listed in order of benefit-pay roll ratios. In general, industries which have a low range of employment also have a low ratio of benefits to pay roll. The exact relationship between these two measures of employer experience is discussed in the appendix.

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TABLE NO. 7

# RANK OF INDUSTRIES IN ORDER OF BENEFIT PAYROLL RATIOS

1939-1940

1940-1941

1941-42

Industry	Rank—1	Cumulative Percent of Total Payroll	Benefit Ratio	Percent of the Total Payroll	Industry	Rank—1	Cumulative Percent of Total Payroll	Benefit Ratio	Percent of the Total Payroll
All Industries	1	6.6	3.1	6.6	(29) Petr. Prod.	4	15.6	1.1	1.4
(35) Nonferrous Metals	2	2.1	0.3	8.7	(30) Petr. Prod.	5	17.5	1.2	1.9
(27) Printing & Pub.	3	2.8	0.6	12.5	(31) Prof. & Soc. Serv.	6	22.2	1.2	1.9
(60-66) Fin. Ins. & R.E.	4	1.7	0.9	14.2	(32) Utilities	7	22.8	1.2	4.7
(46) Tel. & Tel.					(33) Whole. Trade	8	22.8	1.5	10.6
					(34) Petroleum and	9	34.9	1.5	2.1
					(35) Nat. Gas Prod.	10	50.2	1.7	15.4
					(53-57) Ret. Trade	11	51.3	1.9	1.0
					(36) Prof. & Soc. Serv.	12	52.9	2.0	1.7
					(41-45) Transportation	13	55.3	2.8	2.3
					(78-79) Mot. Pict. & Am.	14	56.4	2.8	1.1
					(75) Filling Stations	15	58.0	3.0	1.6
					(10) Metal Mining	16	74.1	3.2	16.1
					(24) Lumber Mfg.	17	75.7	3.4	1.6
					(20) Food Mfg.	18	79.1	4.6	3.4
					(70) Hotels and	19	80.7	4.8	1.6
					(17) Contr. Spec. Trade	20	86.1	5.0	5.4
					(71) Eat & Drink. Places	21	90.2	5.4	4.1
					(15) Contr. Building	22	91.8	5.7	1.6
					(12) Coal Mining	23	93.7	7.2	1.9
					(14) Nonmet. Building	24	95.5	9.1	1.8
					(40) Nonmet. Mining	25	95.8	12.2	0.3
					(71) Eat & Drink Places	26	99.5	13.4	3.7
					(16) Contr. Other		100.0	0.5	0.5
Miscellaneous n.e.c.*									

\* Not elsewhere classified.  
—Lowest to Highest.

\* Not elsewhere classified.

Lowest to Highest.

**The fact that industry has not stabilized is the most convincing proof that it cannot stabilize.** These propositions have been fully developed in the extensive writings on the subject and nothing is to be gained by further elaboration.

"Finally, the whole plea for stabilization rests upon an assumption of social policy which we are not prepared to accept. Economists are generally agreed that **stabilization**, if it is to take place at all, **can be achieved only with a minimum working force.** Even supporters of experience rating admit this. That is so for obvious reasons. No employer can hope to stabilize at the maximum number he employs at the peak of his operations. If he is to regularize at all it can only be by limiting himself to the smallest working force he is sure to be able to utilize at all times. He dare not readily take on new workers, for that only increases the chances of layoffs which will hurt his record. He will do everything he can to meet enlarged demands through overtime or by stretching the normal work week. Essentially, therefore, stabilization does not mean increased employment. Rather it means that whatever employment there exists will be the more heavily concentrated in that group who are fortunate enough to have jobs now, with a corresponding decrease in employment opportunities for those not so favorably situated.

"... The concentration of the available employment through a process of regularization can only mean that those who now have no jobs or who may lose them in the future cannot hope to be re-employed easily but must look forward to steadily lengthening periods of joblessness. As unemployment becomes protracted, skills are lost, spirits broken. Stabilization of employment also means stabilization of unemployment. Our army of the unemployed will be converted into an army of the unemployables. Then, indeed, will we be confronted with a problem of human waste and deterioration beyond anything we have as yet encountered in this country.

"We know full well the evil which is irregularity of employment. And yet, is it not a lesser evil than the segregation of our working people into two classes, one steadily employed and the other steadily unemployed? Even a slight amount of work coming at irregular intervals and uncertain in its duration is better than no work at all. Stabilization by utilizing to the full the entire working force of the nation is the only kind of stabilization that can have any economic or social value. Stabilization which cuts off a substantial number of our citizens from all hope of further participation in our industrial life carries with it an ominous threat of social cleavage."

## **MERIT SYSTEM COMPARISON WITH INDUSTRIAL ACCIDENT INSURANCE**

Advocates of experience rating not infrequently point to variable rates in industrial accident insurance as justification for variable rates in unemployment compensation tax collections.

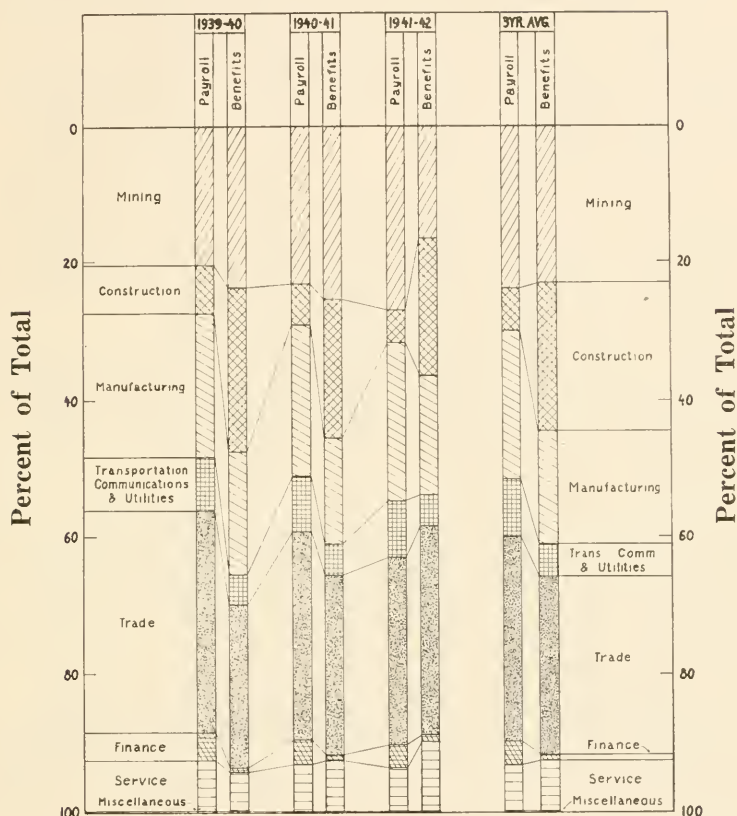
Industrial accident premium rates vary in Montana from a cost as low as 1/20th of 1% to as high as 19% of pay rolls. Why not, it is suggested, apply the same principle to unemployment compensation?

Industrial accident insurance is indeed a great problem, how large, in these days of rapidly expanding war production, is shown by the following:

"More American workers will be killed in accidents this year than all the bomb raid deaths in England since the beginning of the war. More than 86 times as many will be injured.

# CHART NO. 3

## Percent of Total Payroll and Total Benefits Charged by Principal Industrial Groups



"There will be more workers killed here this year than the total number of American soldiers who were killed in action or died from their wounds in the first World war. The army of the injured will be greater than the number of American troops engaged in the last war.

"The record so far this year points to a total of approximately 4,400,000 accidents to American workers in 1942. Of these, about 52,000 will be fatalities and 180,000 permanent injuries.

"Waste of manpower through accidents means that the American war production program this year will be robbed of 500 million man days. . . .

"The accident toll thus appears as effective in handicapping the war effort as enemy bullets."

—From the Wall Street Journal, Tuesday, August 4, 1942, Page 1.

It has been proved again and again in Montana, and elsewhere, that industrial accidents in large part can be prevented. If the employer installs protective devices, safety guards, employer training supervision, watches and improves working conditions, to a great extent, industrial accidents can be controlled.

An example of effectiveness in this regard is the J. Neils Lumber company of Libby, Montana, where a farseeing employer has by the intelligent use of proper safety methods, reduced the firm's accident rate that company now has to less than 10% of the number of accidents prevalent in other firms, *in the same industry*. Another outstanding example in the field of safety engineering is the Anaconda Copper Mining company.

Under such conditions it is proper for the state of Montana to say, in effect, to an employer, "If you spend \$1,000 in eliminating fire traps, etc., you will make good money upon your investment by reducing your industrial accident premium rates." *Accidents can be reduced*. The individual employer can prevent them to a great degree—not all, perhaps, but in some instances 95% of all.

If accidents can be prevented, the great problem created by accidents is solved. By encouraging the employer to prevent accidents, the state offers an inducement which will work, as has been proven in Montana by hundreds of firms. The state aids in solving the social problem. It is better to prevent accidents than partially to pay workers for accidents.

While the individual employer can prevent accidents, he is almost helpless to control the forces that create unemployment. To increase the tax rate upon the unfortunate employer unable to stabilize employment only aggravates an already bad situation.

The analogy of variable rates, when comparing unemployment compensation with industrial accident insurance is, therefore, we believe, a false one.

### COMPARISON WITH PRIVATE INSURANCE

Because private insurance companies have variable premium rates, based upon age and other factors, in life and fire insurance, it sometimes is argued that variable rates for employers in unemployment compensation are proper.

The problems involved are so different that no fair comparison can be made.

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**TABLE NO. 8**  
**Percent of Total Pay Rolls and Total Benefits by Industry**  
**1939-40, 1940-41, and 1941-42**

The data for this table are taken from Table No. 5. The table is designed to show the proportion of pay rolls of each industry and the respective proportion of benefits paid. Comparison of the percentages of the industry groups with respect to pay rolls and benefits shows which industries drain the unemployment compensation fund (higher percent of benefits than pay rolls) and which industries support the fund (lower percent of benefits than pay rolls). The principal industries which drain the fund are coal mining, the construction group, food manufacturing, lumber manufacturing, eating and drinking places, and hotels and rooming houses. The principal industries which support the fund are metal mining, non-ferrous metals, wholesale and retail trade, and the finance group.

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TABLE NO. 8

## Per Cent of Total Payrolls and Total Benefits by Industry

Industry	1939-40			1940-41			1941-42			Average 3 Years		
	Payroll Percent of Total	Benefits Charged Percent of Total	Payroll Percent of Total	Payroll Percent of Total	Benefits Charged Percent of Total	Payroll Percent of Total	Payroll Percent of Total	Benefits Charged Percent of Total	Payroll Percent of Total	Benefits Charged Percent of Total	Payroll Percent of Total	Benefits Charged Percent of Total
All Industries .....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Mining .....	20.4	23.5	22.9	22.9	25.3	26.9	26.9	16.3	23.6	22.8	23.6	22.8
(10) Metal Mining .....	16.1	16.8	18.5	18.5	16.8	11.5	11.5	16.4	19.1	16.4	19.1	16.4
(12) Coal Mining .....	1.9	4.3	1.8	1.8	4.3	2.2	2.2	4.0	1.9	4.0	1.9	4.0
(13) Petroleum and Natural Gas Production ..	2.1	1.2	2.3	2.3	1.3	2.1	2.1	1.6	2.2	1.4	2.2	1.4
(14) Nonmetallic Mining .....	0.3	1.2	0.3	0.3	0.8	0.4	0.4	0.8	0.4	1.0	0.4	1.0
Construction .....	7.1	24.4	6.3	6.3	20.2	4.8	4.8	20.1	6.0	21.8	6.0	21.8
(15) Contractors, Building .....	1.8	5.5	1.7	1.7	4.0	1.3	1.3	5.3	1.6	4.9	1.6	4.9
(16) Contractors, Other .....	3.7	15.8	3.0	3.0	13.6	2.2	2.2	11.5	2.9	14.0	2.9	14.0
(17) Contractors, Special Trades .....	1.6	3.1	1.6	1.6	2.6	1.3	1.3	3.3	1.5	2.9	1.5	2.9
Manufacturing .....	20.5	17.0	21.6	21.6	15.4	23.1	23.1	17.3	21.8	16.4	21.8	16.4
(20) Food Manufacturing .....	5.4	8.8	5.4	5.4	7.2	4.7	4.7	8.4	5.1	8.0	5.1	8.0
(24) Lumber Manufacturing .....	3.4	5.1	4.1	4.1	4.6	4.7	4.7	5.3	4.1	5.0	4.1	5.0
(27) Printing and Publishing .....	2.1	0.4	2.0	2.0	0.5	1.8	1.8	0.6	2.0	0.5	2.0	0.5
(29) Petroleum Products .....	1.4	0.5	1.3	1.3	0.6	1.5	1.5	0.3	1.4	0.5	1.4	0.5
(35) Nonferrous Metals .....	6.6	0.5	6.9	6.9	1.1	8.4	8.4	1.5	7.4	1.0	7.4	1.0
(MF) Miscellaneous Manufacturing .....	1.6	1.7	1.9	1.9	1.4	2.0	2.0	1.2	1.4	1.4	1.4	1.4
Transportation, Communication, and Utilities	8.7	4.8	8.5	8.5	4.6	8.2	8.2	4.5	8.5	4.6	8.5	4.6
(41-45) Transportation .....	2.3	2.1	2.3	2.3	2.1	2.4	2.4	1.8	2.4	2.0	2.4	2.0
(46) Telephone and Telegraph .....	1.7	0.5	1.7	1.7	0.6	1.7	1.7	0.5	1.7	0.5	1.7	0.5
(48-49) Utilities .....	4.7	2.2	4.5	4.5	1.9	4.1	4.1	2.2	4.4	2.1	4.4	2.1
Wholesale and Retail Trade .....	31.7	23.5	30.1	30.1	26.2	27.3	27.3	30.6	29.6	26.1	29.6	26.1
(50-52) Wholesale Trade .....	10.6	5.1	9.9	9.9	5.1	9.0	9.0	6.9	9.8	5.5	9.8	5.5
(53-57) Retail Trade .....	15.4	9.6	14.8	14.8	9.8	13.5	13.5	11.5	14.5	10.1	14.5	10.1
(71) Eating and Drinking Places .....	4.1	7.2	3.3	3.3	9.9	3.8	3.7	10.6	3.7	9.0	3.7	9.0
(75) Filling Stations .....	1.6	1.6	1.6	1.6	1.4	1.5	1.5	1.6	1.6	1.5	1.6	1.5
(60-66) Finance, Insurance and Real Estate ..	3.8	0.8	3.7	3.7	0.7	3.3	3.3	1.1	3.6	0.8	3.6	0.8
Service .....	7.3	6.0	6.8	6.8	7.5	6.2	6.2	9.3	6.7	7.3	6.7	7.3
(70) Hotels and Rooming Houses .....	1.6	2.6	1.5	1.5	2.8	1.3	1.3	4.2	1.5	3.0	1.5	3.0
(72) Personal Service .....	1.7	1.1	1.7	1.7	1.6	1.6	1.6	2.1	1.6	1.5	1.6	1.5
(73-76) Business and Repair Services .....	1.0	0.6	0.9	0.9	0.6	0.9	0.9	0.6	0.9	0.6	0.9	0.6
(78-79) Motion Pictures and Amusements .....	1.1	1.0	1.0	1.0	1.4	0.8	0.8	1.1	1.0	1.2	1.0	1.2
(80-86) Professional and Social Services .....	1.9	0.7	1.7	1.7	1.1	1.6	1.6	1.3	1.7	1.0	1.7	1.0
Miscellaneous n. e. c. * .....	0.5	0.0(1)	0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.2	0.2	0.2

\*Not elsewhere classified.

Note (1) less than 0.1 per cent.

Payroll-Wages Subject to Contribution.



Unemployment compensation insurance is perhaps closest to term or group insurance policies issued by the various private life insurance companies. These companies must keep the risk involved in mind, it is true, but rates are fixed upon the individual. Experience rating in unemployment compensation attempts to fix variable rates not upon individual employees but upon the individual employer having, in some cases, large numbers of workers. In many other ways the private insurance companies' rates vary from so-called experience rating principles.

The following, by the secretary of the American Association for Social Security, appears pertinent:

"What is this thing called merit rating? Where do we get that theory altogether? I say the particular theory, the type of merit rating we are talking about, does not even exist in private insurance. Private insurance accepts the idea that every person at the age of 35 has about an equal risk unless he is in very, very bad shape. The risks are somewhat selected, but by and large the great mass of people are taken at the normal risks of their age. I do not know of any private insurance company that pays a bonus to a man who did not die in the first thirty years after taking out his policy, or after the first ten years.

"If the theory of merit rating such as is contemplated in unemployment insurance is correct, private insurance should also do it. Should there be no distinction between the man who takes out a policy, pays his premium and dies and his neighbor who lives thirty or forty years and keeps on paying? The man who continues to live ought to get a bonus! But the private insurance doesn't give such bonuses. Neither does private insurance give a bonus to the owner of a house which did not burn in the last twenty or twenty-five years. Once the risk is accepted everyone remains at the same risk, and no particular bonuses are given because some men have lived longer than others or because someone's house has not burned down.

"This simply means that insurance, per se, cannot possibly exist unless some amount of risk, which is levelled out, is taken for granted. No insurance company could possibly carry on a risk which takes into consideration not only the previous risk, the risk prior to insuring, but the experience risk; that is, whether a man has continued to live or the house has continued to stand, or not. I say the principle of merit rating as we know it does not stem from private insurance because private insurance does not follow the concept of merit-rating."—Abraham Epstein, April 28, 1940.

## STATE CONTROL THREATENED BY RATE REDUCTIONS

Students of unemployment compensation are gravely concerned on the future of the state program because of the wide reductions in rates now in force as a result of experience rating in many states. It is the opinion of many such students that a federal system of unemployment compensation will come about in the postwar period if any appreciable number of the state unemployment compensation funds go bankrupt. This commission has contended from the beginning that a state system is preferable to a national system.

In this connection, the attention of the lawmakers is directed to the following quotation, taken from a talk delivered by Ewan Clague, associate director, Bureau of Employment Security, Social Security

Board, at a postwar economic conference held in Salt Lake City on June 2, of this year:

"... Right now we are working in reverse gear, financially speaking. We started out some years ago with a three per cent payroll tax, two and seven-tenths per cent state tax, and the remaining three-tenths of one per cent federal tax, which goes out from the federal government to the states to pay administrative expenses. Now that three per cent was in effect until 1940 in all states throughout the United States. Then experience rating came in on a large scale. I am not going to spend a lot of time discussing that now, but I must emphasize the effect it had, namely, to give widespread reductions in employer contributions. Experience rating is in effect in about forty states at present; it is getting into full bloom in 1942, and certainly in 1943 it will be very widespread.

"After we got our unemployment compensation program going four years ago we had a little setback in 1938, a little depression. After that we had recovery in 1939, the defense effort in 1940, and war in 1942, so unemployment benefits are falling at a rapid rate. A total of three hundred and forty-four million dollars was paid out in benefits in 1941. Even with war displacement and the unemployment we have had in the last six months, we probably won't do better than pay out three hundred and forty or three hundred and fifty million dollars this year. Next year, I doubt if we pay out two hundred million dollars in benefits to unemployed workers. In other words, there is not a great deal of unemployment, so benefits are falling. Naturally, therefore, at the end of three years, which is the term allowed for experience rating, employers get reduced rates and these rates are taking effect. So we have the situation where the contribution rate is falling steadily in a great many states. We took in one billion dollars last year in unemployment compensation contributions; but this year we estimate a decline of two hundred and fifty million dollars. Next year perhaps (if the war continues) we may reach as low as five hundred million, and then probably later, down to three hundred million dollars in contributions. In other words, contributions are going to decline over the most prosperous period of business activity we have ever seen. So our unemployment compensation system is financially in the wrong gear; those contribution rates are declining in prosperity, and we shall arrive at the end of our basic war-prosperity period with very low contribution rates, low benefit payments, of course, low total contributions coming in, and pretty good reserves piled up.

"But what I am getting at is that the system is gradually de-financing itself in a very prosperous period. That runs exactly contrary to what we expected in the beginning. We expected to collect money in good times and spend it in bad times. Now we are not collecting in good times, and when we arrive at the bad times just as the postwar readjustment hits us, we shall have very low contribution rates from employers; total payrolls will fall off very much as workers are laid off and they will be seeking other jobs. Under those circumstances benefits will rise tremendously. The reserves, of course, will be there to be drawn down; but contributions rates will be very low and the system geared to a low level of financing. What will happen? . . .

We also call attention to a portion of Mr. Clague's remarks before the Colorado State Federation of Labor at Colorado Springs on June 16, as follows:

"... I want to point out one of the effects of experience rating which was not clearly foreseen at the time the act was passed. As mentioned above, provision has been made for reductions in the contribution rates of employers with stable businesses

(and some states have penalty rates on employers with large amounts of unemployment), but no check was established on the results which flow from this method of experience rating. Let me try to make this clear. Reducing the rates for individual employers can and does have the effect of reducing the total amount of contributions from employers within the state. Thus we estimate that in the year 1942 there may be a net total reduction in employer contributions to unemployment compensation throughout the country of nearly 250 million dollars because of employer experience rating. In other words, experience rating can undermine the contribution system which now exists. In view of the fact that we are in a war prosperity period, this effect is taking place at a very rapid rate. My prediction would be that if the war continues for two or three years, we shall arrive at a point by the end of the war at which contributions by employers will be only a fraction of the 2.7 per cent pay roll tax with which the unemployment compensation program started in all states.

"The second point which ties in with the above was the fact that there are **no** provisions in the federal act with respect to the benefits payable under state unemployment compensation laws. A state may elect to pass a liberal law and pay reasonable benefits for considerable periods of time to unemployed workers, or it may choose to pass a very restrictive and limited law. The Social Security Board can give advice to the states with respect to the benefits payable, but it has no authority to withhold approval of any state law, no matter how low the benefits may be, nor what subsequent reductions may be made in them.

"Therefore, experience rating has had the effect of reintroducing widespread interstate competition in unemployment compensation, although one of the primary purposes of the original social security act was to eliminate this competition.

"Secondly, the benefit structure in the state laws is not protected in any way by federal minimum standards, with the result that the interstate competition will eventually be transferred across from the contribution rates over to benefit payments, with the least liberal state setting the pace. Unemployment compensation, therefore, is rapidly being reduced to the level of workmen's compensation, where the bugaboo of interstate competition has for 30 years restricted the growth of an adequate accident compensation system in this country.

"I must point out that this effect of experience rating is not inherent in the experience rating system itself. It would be possible to have varying contribution rates for employers in the states without undermining the contribution system and the benefit structure. This would require certain federal legislation in the social security act, either to limit the reductions in contributions which will be permitted through experience rating or by writing in certain minimum benefit standards which must be met by any state before it is granted authority to establish experience rating.

"There is a third point to which I wish to call your attention, namely, that the reductions in contributions which are now taking place throughout the states are occurring at the wrong time in the business cycle. It has always been a theory of unemployment compensation that the funds would be set aside in good times to meet the benefit payments in bad times. Yet now we have gotten completely into the reverse. In a period of feverish war prosperity, while we are accumulating tremendous potential liabilities, we are rapidly reducing employer contributions. In a period of difficult postwar readjustments, these contributions will have to be raised in many states in order to avoid insolvency. Yet that period of readjustment will be the very time during which employers will find it most difficult to pay, while now they could easily do so. . . ."

## WHAT WILL HAPPEN AFTER THE WAR?

Some day the war drums will cease beating and the war will end. Total war cannot continue indefinitely, and eventually the Axis forces will crack and surrender.

When this occurs, according to Stuart Chase, in "Goals for America," the picture of our economy promises to look something like this:

" . . .

"A vast force of trained workers in the war industries to be demobilized and shifted to peacetime occupations. They may be expected to insist vigorously on re-employment.

"An industrial plant greatly expanded, especially for the production of machinery and such materials as light metals, rubber, other synthetics and plastics.

"Machine tools—the machines which make machines—in great profusion.

"An agricultural plant specializing in crops of high nutritional value, and capable of supplying far more than our own population.

"A very great increase in electrical energy.

"A vast budget of postponed wants to be filled—houses, clothing, automobiles, tires, radios, washing machines, durable consumers goods of all kinds. Incidentally, many consumers will have stored up purchasing power with which to buy them.

"An insistent call from abroad for American food, supplies and industrial equipment.

"An imperative demand for public works neglected during the war—conservation, hospitals, highways, schools, water systems, sewer systems, irrigation, transport facilities, and the like.

"A promise of freedom from want to be redeemed."

" . . .

And what of Montana?

This commission can hardly be expected even to attempt to forecast the unemployment problems that will confront the state at the conclusion of the war. How these problems are to be met will obviously depend a great deal upon what action the federal government takes. No one knows.

It does appear in Montana that the picture may be somewhat as follows:

Some 40,000 Montana men (and some women) in the armed forces will mostly return to the state seeking employment. As this is written, no adequate provision has been made to care for them, even for the transition period from a war to a peacetime economy.

It is probable that a large portion of some 30,000 workers, who have left this state and are now employed in defense industries in other states, and largely on the Pacific coast, will also return and seek employment. A large proportion of these workers will draw benefits from unemployment compensation commissions in other states, but these benefits will not last longer than four or five months. Ultimately the welfare load is bound to pick up.

Demands for the products of this state—wheat, copper, lumber, ore, wool, sugar and beef will be affected and are uncertain. It appears the outlook for copper is especially hazardous.

While we do not know what will happen after the war, it does appear that it will be wise for Montana to have a large cash



reserve fund on hand in the unemployment compensation commission to cushion, even for a short period, the first effects of so crushing a load of unemployment. It appears such a course would be wise in the long run for the employer, and saving in morale and perhaps even life to workers and their families. How large this fund should be is and will remain a matter of opinion, but we may be sure that sums even far beyond \$10,000,000 or \$11,000,000 will not be excessive.

### **SHOULD THE TAX RATE BE REDUCED?**

The Montana unemployment compensation law states:

"... There shall be provided, if possible, a reserve against the liability in future years to pay benefits in excess of the then current contributions, which reserves shall be set up by the commission in accordance with accepted actuarial principles on the basis of the statistics of employment, business activities, and other relevant factors for the longest possible period."

Benefit paying experience in Montana has been limited to only three complete years, ending June 30, 1942. Due to the variations of benefit payments by seasons, it is necessary that only complete years be considered in analyzing benefit paying experience.

#### **Not Sufficient Experience**

Three years do not provide sufficient actuarial experience to properly arrive at definite conclusions. Furthermore, none of the three years during which Montana has paid benefits can be termed rightfully a "normal" year, in the light of the variations of employment which have occurred in Montana over the past 20 or 30 years, prior to the time the state began paying benefits.

#### **The First Year: July 1, 1939, to June 30, 1940**

During the first year in which benefits were paid, unemployment was general throughout the state, and during that year, the total income through employer taxes to the commission was not sufficient to meet benefit requirements. At the same time, however, employment in some of the largest industries was unusually steady, compared with the previous 10 or 20 year average. There were no large shutdowns in any of our largest industries, notably mining and lumbering. Undoubtedly the employment situation was favorably influenced by war conditions abroad. Total income was \$2,697,572.42: Disbursements were \$2,955,299.23.

#### **The Second Year: July 1, 1940, to June 30, 1941**

The situation was approximately similar for the second year, in which total income of the commission was barely sufficient to meet current benefit payments. Total income was \$2,977,667.38: Disbursements were \$2,967,340.87.

#### **The Third Year: July 1, 1941, to June 30, 1942**

During the third year, conditions were completely altered by the impact of the war which threatened and finally struck the nation. Total income was \$3,212,624.30: Disbursements were \$1,671,883.50.

Under the law, this commission is directed to provide, if possible, a reserve above the current demands to meet possible future



requirements. In attempting to arrive at some plan for establishing such reserves, consideration must be given to two questions:

(1) Is the present benefit paying formula adequate? (2) Is the present contribution rate sufficient to meet benefit requirements in the light of the facts and the requirements of the law?

### **No Change Recommended in Benefit Formula**

Experience in Montana has not been sufficient to provide a positive answer to either of the above questions. Our benefit formula stemmed from studies made by both private and governmental agencies over a period of years, but job insurance in practical operation was new in the nation at the time it was adopted by the state of Montana. The formula applied was one which was adopted most generally, with modifications, by all of the states of the Union, and it can be seen readily that a formula which might be adequate in one section might not exactly fit other sections affected by different economic situations. As a matter of fact, Montana's benefit paying formula is either inadequate, adequate, or more than adequate. It would appear, however, that no extensive changes in formula should be recommended until sufficient experience has definitely indicated into which category our formula falls.

It is true that the Montana formula is much more liberal than the formulae of some other states. This is not necessarily an argument that our own formula is too liberal. Certainly there is ground for the belief that in some states, the provisions of their unemployment compensation laws are not liberal enough. This commission feels that our law does give, to a very large degree, the protection to workers which is necessary in order to maintain a sound economic system.

The commission is not prepared to declare that the Montana law is excessively liberal. On the other hand, there is considerable reason for enlarging the coverage of the law to include many workers who do not now have the benefit of its protection. It would appear that farm workers, domestic workers, and civil employees should share in the protection now accorded to certain industrial workers. Expansion of such coverage, of course, would involve new taxes on employers and possibly on employees not now covered. In contemplating such expansion, consideration should be given to the question whether such additional taxes would provide the necessary funds to meet the additional coverage of workers. However, the matter of broadening the unemployment compensation program is not immediately germane to this report on experience rating for employers, and for this report, in the absence of definite evidence to the contrary, the commission will proceed on the assumption that the present benefit paying formula is adequate.

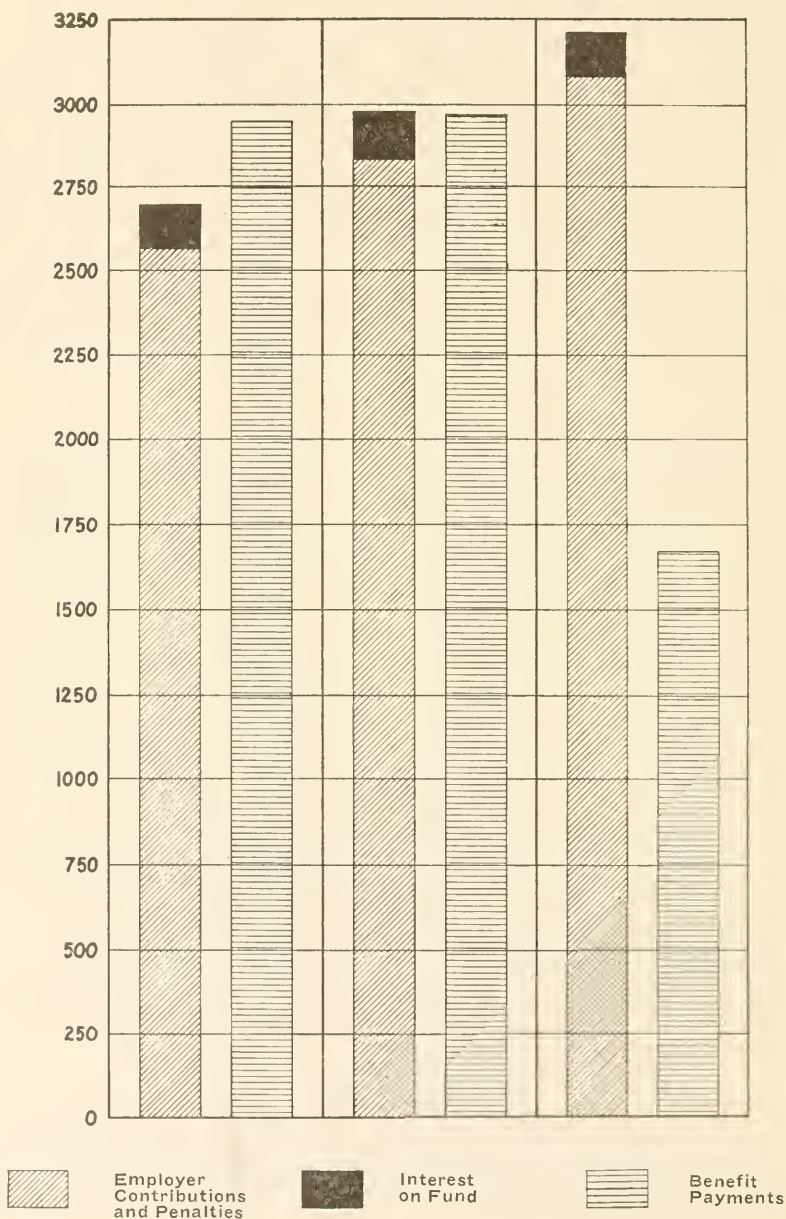
### **Present Income Rate Needed**

The next question is whether or not our present tax rate of 2.7% on wages paid provides sufficient, or more than sufficient, funds to meet the benefit paying formula. Again, this tax rate was set arbitrarily. Various agencies and groups which had prepared the data from which the national unemployment compensation plan was evolved appar-

# CHART NO. 4 INCOME AND BENEFITS

Comparison annual income (employer contributions and interest on fund) with annual benefit payments.

Thousands  
of Dollars



ently felt that a 3% pay roll tax was a reasonable amount with which to start the unemployment compensation program. We cannot feel that this was adopted as a final figure. Undoubtedly those who framed the law thought that the adequacy of the rate should be determined from ensuing experience and the rates adjusted accordingly.

A provision of the national law permits employers of 8 or more to receive a credit of as much as 90% of the federal unemployment compensation pay roll tax payments which they make to state unemployment compensation funds. Thus, almost automatically was the rate of 2.7% fixed for the state of Montana.

As stated before, the experience of the Montana commission has not been sufficient to determine whether or not this rate will meet benefit requirements indefinitely. Over a period of three full years it has produced sufficient income to meet current requirements and to implement reserves for the future, but whether or not it will be adequate for the next ten years is a question which this commission cannot answer. In the light of the tremendous tax load which employers are carrying, the commission does not feel warranted in asking for any increase in this present unemployment compensation tax rate. At the same time, it does feel strongly that it is necessary for the continuance of the unemployment compensation program in Montana that the pay roll tax shall net to the state unemployment compensation fund 2.7% of the covered payrolls. This would mean that should any legislation be adopted whereby the pay roll tax is reduced in one instance, it should be raised in another sufficiently to result in returning to the state the same net income for unemployment compensation purposes as under the present flat rate.

### What Is Adequate Reserve?

What constitutes a proper reserve to meet future liabilities is a subject of great concern to the commission. The commission feels that it has two definite responsibilities toward the citizens of Montana: (1) The creation and maintenance of a sufficient reserve fund to meet future contingencies; (2) Limitation of the size of the fund to an amount consistent with anticipated needs.

The commission does not feel that it is justified in accumulating tax funds beyond a reasonable expectation of requirements.

A study of the annual reports of the commission shows that Montana began its benefit payment program with a balance of \$5,151,347.85 on July 1, 1939. This balance had been reduced by more than \$250,000, due to excess of benefit payments over income, to \$4,893,621.04 as of June 30, 1940. The following year, income exceeded benefit payments by approximately \$10,000, leaving a balance of \$4,903,947.55. The following year, the balance in the fund amounted to \$6,444,688.35, and increase of approximately \$1,540,000 over the preceding year.

As of November 15, 1942, reserves amounted to a little more than \$8,150,000.00.

Students of economics generally agree that there is likelihood of vast unemployment, at least for a period, following the conclusion

of the war. While records for the past three years show current employment in covered industry of about 80,000 workers for any given period, our surveys also show that each year more than 100,000 workers at some time or another come under covered employment. Therefore, with the reserves of \$8,000,000.00 there is a reserve of approximately \$80.00 per covered worker in the state. Our records show that of unemployed workers who draw benefits, the average amount drawn is approximately \$124 each. The average number of checks paid to each claimant is about 11. Thus, in a period of serious unemployment, it is very questionable that a reserve of \$8,000,000.00 will be sufficient to meet the needs, since eligible unemployed workers are entitled to draw a maximums ranging from \$150 to \$240 each.

### **Service Men's Right Protected**

The situation is further complicated by the fact that benefit rights for workers who have entered the armed services from Montana are frozen for the duration of the war, and whereas in ordinary cases, benefit rights normally expire with the passage of time, the rights of the servicemen constitute a continuing liability against the fund, approximating, according to our estimates, a sum between \$2,500,000.00 and \$5,000,000.00.

The commission feels that under the above circumstances, a reserve fund of at least \$11,000,000.00 would not be excessive and would be a reasonable reserve to lay up in the event of possible eventualities. We would recommend, therefore, that at least for the next biennium, the net income to the commission should be the same as at present and that moneys not needed to meet current benefit payments should revert to the reserve fund; and the amount of these reversions would not be unreasonable, in view of possible contingencies.

### **REORGANIZATION COMMITTEE'S REPORT**

Among the various boards and departments of the state of Montana investigated by Griffenhagen and Associates for the Governor's Committee on Reorganization and Economy was the Unemployment Compensation Commission. Our report of the financial status of the unemployment compensation fund as of June 30, 1941, showed that for first year of benefit payments, beginning July 1, 1939, the commission collected \$2,569,898.20, and made net benefit payments totaling \$2,955,299.23. The second year of benefit payments, contributions equaled \$2,840,801.03, and net benefit payments amounted to \$2,967,340.87. The above figures do not include interest earned on the fund.

Comments from the December 8, 1941, report of Griffenhagen and Associates to the Governor's Committee on Reorganization and Economy, referring to the above, follow:

"An examination of the foregoing tabulation reveals that in each of the first two years of operation the amount of the benefits paid exceeds the amount of the contributions collected and the balance was materially reduced. This is a very unhealthy condition and should not be permitted to continue. For the



current fiscal year there is reason to believe that the amount of contributions will exceed the amount of benefit payments by approximately \$800,000. This is caused by a condition of unusual business activity and, therefore, contributions are relatively high and benefit payments are relatively low. It would appear that the experience during the first two years of benefit payments is more nearly the normal condition.

"There is every indication that this normal condition will get worse as time goes on. No doubt there will be some pressure on the legislative assembly to liberalize benefit payments by extending the period during which benefits may be drawn, by increasing the amount of the minimum and maximum payments, and by making provision for the payment of benefits for periods of partial unemployment. In addition there is some indication that the legislative assembly will be asked to consider the extension of unemployment compensation to groups of workers not now covered. The income from contributions based on the wages paid these workers may or may not equal the benefit payments drawn because of such wages. Since most of the kinds of employment most likely to be able to bear the cost of benefit payments are already under the law, the probability is, that should the coverage be extended, the new source of contributions would not equal the new demands for benefit payments and thereby a further drain on the reserves already accumulated would occur.

"The commission is now studying the possibilities of adopting a plan of adjustment of rates on the basis of employer experience ratings, in accordance with the provision for such a study which is contained in the law. The usual effect of the operation of such plans in states that have them is to reduce the amount of income to the unemployment compensation fund. Any plan considered for Montana should be closely studied with this possibility in mind. Any provision which decreases the income of the fund would be unwise at this time.

"The possibilities of increasing the income to the fund are rather limited. The adoption of a plan whereby the workers contribute a portion of their salary, such as several states now have, would provide enough income to meet normal deficits and perhaps allow for some liberalization in the benefit structure. Without going into an involved discussion of the matter, there is considerable merit in a plan of worker contributions. One of the basic ideas of unemployment compensation was that the worker should participate in the plan to the extent of contributing a part of the funds necessary to support the scheme of insurance involved.

"There would be no justification for increasing the income of the fund by increasing the rate of employer contributions over the general level of contributions for other states in the union."

The above comments, while arrived at by a disinterested authority, and independently of the commission's opinions, very clearly and concisely express the commission's views in this connection; and the commission respectively urges that no legislation should be adopted which would reduce the net income to the unemployment compensation fund below the present rate of 2.7%.



### Ratio of Benefits to Collections by State

The table of "Ratio of Benefits to Collections by State" is taken from a report of the Social Security Board.

It is to be noted that Montana has paid out a greater ratio of benefits to collections, since benefits first became payable, than any other state; that this ratio for Montana is 88.2% as against an average for all states of 51.8%.

During the fiscal year ending June, 1942, five states—Minnesota, Nebraska, Michigan, Louisiana and Florida—paid out in benefits a higher ratio to current collections than did Montana. For the last half of the fiscal year, four states—Minnesota, North Dakota, Nebraska and Michigan—paid higher ratio of benefits to collections than did Montana.

The last column in the table shows that the total of benefits paid in Montana as of June 30, 1942, was 49.8% of the total collections and interest received since the law became operative.

One other state has paid out the same proportion as Montana, and ten other states have paid out a higher proportion of income to benefits than Montana. One reason why Montana's benefit payments are lower than many of the other states in proportion to total income is that Montana did not begin paying benefits until 2½ years after collection of contributions had commenced. Thus, Montana had an opportunity to store up a reserve of nearly \$5,000,000 before any benefits were paid.

As indicated by the table, current income of the commission during the first three years of benefit payments afforded little opportunity to add to the reserve which should be set aside to meet periods of unusual employment.

**TABLE SA**  
**Ratio of Benefits (1) to Collections by State,**  
**By Specified Period Through June, 1942**  
**(Data reported by state agencies (2), corrected to July 21, 1942)**

State	Month and year benefits first payable	Ratio (percent) of—			
		Benefits to collections January-June, 1942	Benefits to collections July '41-June '42	Benefits to collections since benefits first payable	Total benefits to cumulative collec- tions & interest (3)
Total .....		39.9	33.8	(4) 51.8	38.9
Montana	July 1939	72.6	54.3	88.2	49.8
Idaho	Sept. 1938	63.1	41.7	85.6	60.6
Nevada	Jan. 1939	30.0	32.1	79.1	55.1
Wyoming	Jan. 1939	51.2	35.6	74.2	47.1
Michigan	July 1938	107.4	64.3	73.4	54.9
Florida	Jan. 1939	63.6	75.9	71.3	49.8
New Mexico	Dec. 1938	57.7	42.4	70.7	46.4
Maine	Jan. 1938	22.0	21.9	67.8	55.7
Minnesota	Jan. 1938	72.8	54.4	66.3	52.9
North Dakota	Jan. 1939	79.5	47.6	66.0	39.1
Mississippi	Apr. 1938	58.2	50.7	65.7	51.5
Utah	Jan. 1938	46.0	46.6	65.2	52.7

TABLE SA

State	Month and Year benefits first payable	Ratio (percent) of—			
		Benefits to collections January-June, 1942	Benefits to collections July '41-June '42	Benefits to collections since benefits first payable	Total benefits to cumulative collec- tions & interest (3)
Louisiana	Jan. 1938	59.5	67.2	64.2	52.5
Rhode Island	Jan. 1938	34.3	28.0	61.6	51.5
Colorado	Jan. 1939	26.4	25.0	60.6	38.6
New York	Jan. 1938	33.0	35.1	60.3	50.3
Tennessee	Jan. 1938	51.7	46.4	60.3	49.3
Arizona	Jan. 1938	25.4	28.2	59.9	48.5
New Hampshire	Jan. 1938	20.9	23.9	59.2	43.7
California	Jan. 1938	55.0	47.3	57.8	46.9
Massachusetts	Jan. 1938	34.5	32.8	57.4	44.8
Oregon	Jan. 1938	33.1	23.7	57.2	46.9
Oklahoma	Dec. 1938	64.9	46.6	57.1	34.9
Arkansas	Jan. 1939	21.2	28.8	56.3	39.1
Nebraska	Jan. 1939	83.7	60.0	54.6	30.1
West Virginia	Jan. 1938	28.2	23.3	53.9	42.7
Washington	Jan. 1939	24.0	21.6	53.8	36.3
Pennsylvania	Jan. 1938	16.5	15.7	52.5	43.1
Indiana	Apr. 1938	51.9	36.9	51.9	39.0
Alabama	Jan. 1938	22.6	24.8	51.2	41.1
Alaska	Jan. 1939	26.4	18.6	50.9	36.7
Iowa	July 1938	37.4	25.5	48.6	36.0
Maryland	Jan. 1938	23.8	25.0	48.3	40.9
Illinois	July 1939	43.9	36.9	47.5	27.3
Virginia	Jan. 1938	31.1	28.9	47.2	38.2
Kansas	Jan. 1939	51.9	46.3	43.2	26.2
Vermont	Jan. 1938	24.6	17.4	43.1	34.5
North Carolina	Jan. 1938	21.7	27.7	42.6	34.9
Texas	Jan. 1938	34.8	31.8	42.6	33.4
South Carolina	July 1938	38.8	33.0	40.7	29.7
Georgia	Jan. 1939	46.7	37.6	40.5	26.5
South Dakota	Jan. 1939	59.5	43.2	39.0	23.3
Wisconsin	July 1936	72.5	37.6	38.6	26.0
Kentucky	Jan. 1939	26.8	20.9	(4) 33.9	22.2
Ohio	Jan. 1939	34.5	21.2	32.6	21.5
Connecticut	Jan. 1938	14.5	12.8	31.9	26.0
Missouri	Jan. 1939	37.1	30.6	30.4	20.1
New Jersey	Jan. 1939	29.1	27.1	29.4	21.0
Delaware	Jan. 1939	38.3	23.1	28.7	18.9
Dist. of Columbia	Jan. 1938	18.7	20.6	27.5	21.8
Hawaii	Jan. 1939	13.1	8.5	12.1	7.8

(1) Adjusted for voided benefit checks; includes benefits paid through June 30, 1939, to employees of railroads and other groups now subject to Railroad Unemployment Insurance Act.

(2) Except interest earned on funds in state accounts in unemployment trust fund, which is credited and reported by the U. S. Treasury at end of each quarter.

(3) Comparisons are valid only among states which initiated benefits at same time.

(4) Ratio for Wisconsin based on benefits and collections since Jan. 1, 1938.

## TYPES OF EXPERIENCE RATING PROVISIONS OF STATE EXPERIENCE RATING LAWS

"Experience rating" frequently called "merit rating" refers to methods by which individual employers' contribution rates may be varied from the standard rate, according to the employer's past employment record, or benefit experience. At the present time, most of the states have some experience rating provisions in their statutes.

The federal unemployment tax act required three years of experience with respect to unemployment for pooled fund laws, and one year for employer reserve laws, before employers can obtain additional credit for contributions reduced under a state experience rating plan.

Thus, an employer bringing his operations into Montana for the first time normally would be assessed at the 2.7% rate, which would remain in effect until the required experience. If his three years of experience indicated that he had earned a lower rate, then, under certain conditions, such a lower rate would be given to him. However, if his experience was unfavorable, he might be assessed a higher rate.

The experience of nearly all employers in certain industries indicates that a high rate should be charged against those employers or those industries by virtue of the character of the work in which they are engaged. This is especially true of construction work.

Under the arrangement outlined above, if an employer without three years of experience would be assessed at the rate of 2.7%, then an out-of-state contractor could move into Montana and accept a construction job and pay 2.7%, while the Montana contractor with three years of experience would be required to pay at a considerably higher rate. This would be true unless, of course, rates were based on the experience by industries, and newcomers in those industries were charged at either 2.7% or the rate applicable to their respective industries, whichever were the higher.

The most common type of experience rating provision is one in which all or part of an employer's contributions are credited to his account and benefits paid to his former workers are charged to his account. The ratio of the excess of contributions over benefits (reserve balance) to his annual or average annual pay roll (reserve ratio) serves as a basis for modifying contribution rates.

One or two states such as Michigan provide for some variation in this type of provision and related benefits charged to employer's account to the employer's annual pay roll. A number of states provide that variations in contributions shall be based on an index derived by computing the ratio of the base period wages the employer has paid to his workers who have drawn benefits during the past three years, (benefit wages) to his total pay roll for that period. This is sometimes called the "Cliffe" or Texas plan. This benefit wage ratio is usually called the employer's experience factor.

### State Formulae Vary Widely

The methods devised for modifying employer contribution rates on their experience also varies considerably from state to state. Under

the laws of most states a formula, written into the statute, sets forth a schedule of differential rates and categories of experience to which such rates will apply. In the laws of those states which measure an employer's experience by means of the employer's experience factor, described above, a similar schedule has been provided whereby the employer's contribution rate will be the product of his experience factor multiplied by a state-wide experience factor representing the ratio of the one or three years benefits to the benefit wages which were charged to all employers within that period. These laws are termed "automatic rating." However, in a number of the states an employer's rate may be modified by the condition of the fund. Such rating is termed "non-automatic" and gives the state agency some discretion in modifying contribution rates. Some of the states attempt to obtain an average contribution rate by arraying employers in groups to which given rates are applied. This is called the "predictable income plan."

In contemplating any unemployment compensation tax rate structure, the necessity of maintaining adequate reserves should not be overlooked. Any rate which is calculated to meet only the normal withdrawals from the fund is not satisfactory unless sufficient reserves have been previously provided for to meet possible increases in unemployment over the prevailing amount of unemployment. For instance, an employer may have been paying into the fund each of the past three years sufficient taxes to meet the benefits charged against him, without leaving any reserve. In the event of a depression or stoppage of work, benefits might be greatly increased over the average for the past three years. Sufficient reserves should be set up to meet this contingency.

In other states the scheme is designed to produce approximately that amount of reserve annually which is necessary to replenish the fund by the average annual amount of benefits paid during the preceding three years. This is called the "replenishment plan."

It is impossible to evaluate the results of the different experience rating formulas in the state without taking into account the various benefit structures in operation within those states. The effect of the average weekly amount and duration, the provisions for disqualification and eligibility, as well as seasonal provisions, will be reflected in the individual employer's experience as well as in the state experience.

### **Measures of Employer Experience With Respect to Unemployment**

Experience rating requires that each employer's experience, with respect to the unemployment of his own workers, be measured as precisely as practicable. There are a number of proposals which have been made for measuring employer's experience, a few of which are as follows:

1. Fluctuations in the number of persons on the pay roll.
2. Benefit payments.
3. Wages used in paying benefits.

Only the last two of these measures are now used in the state laws. In most of the states, benefit payments are used to develop reserve ratios. In a few states, benefit payments are used to develop benefit ratios. In quite a number of states, the employer's experience is based on the wages used in benefit payments.

### **(1) Fluctuations in the Number of Persons on the Payroll.**

Measures of this sort are obtained by a periodic count of the number of persons on an employer's pay roll. This type of measure could be easily obtained from employer contribution reports, which show the number employed at the end of each calendar month. Although the method is simple, it has several disadvantages. In the first place, unemployment between the dates on which the count was made is ignored. This basis of measurement places emphasis on keeping the same *number* of persons on the pay roll without reference to whether the *same* persons are employed, and this would not discourage a high rate of turnover. An employer could conceivably lay off and rehire 200 persons each week without affecting his experience. This basis of measurement could not, without adjustment, take account of partial unemployment. It would thus be possible for an employer to operate at low levels without affecting his experience. Finally, measures of this type bear no necessary relationship to the drain on the unemployment or its duration. Workers separated from the pay roll may, or may not, become benefit recipients; they may remain unemployed for one week or for six months. Such facts would not be reflected in the measure.

## **(2) BENEFIT PAYMENTS.**

### **(a) Benefit-Contribution Ratio**

The ratio of yearly benefits charged to an employer to his yearly contribution is a simple and easily understood method of determining an employer's experience. For example, an employer charged with \$500 in benefits, whose contribution was \$1,000, would have a benefit-contribution ratio of 50%. An employer with \$1,000 in benefits and \$1,000 contributed would have a benefit-contribution ratio of 100%. If an employer had \$2,000 in benefits and contributed \$1,000, the benefit contribution ratio would be 200%. Under this method, which is based on most recent benefits, the benefit contribution ratio would decline in periods of expanding employment and rise in periods of declining employment.

### **(b) Benefit-Pay Roll Ratio**

The benefit-pay roll ratio is the total amount of benefits charged to an employer in any one year divided by the average total pay roll of the employer for the experience period. Thus, the benefit ratio for any employer would equal the contribution rate which would have been necessary during that period to finance his benefit charges. Contribution rates calculated on the benefit pay roll-ratio, as with the benefit-contribution ratio, are based on most recent benefit charges and would be lower in periods of expanding employment and would rise in periods of declining employment.



The basic consideration of the benefit-pay roll ratio method is replenishment of the unemployment compensation fund only, and is, therefore, adapted to states with high reserves. The benefit-pay roll ratio method, however, has the merit of simplicity and is easily understood by employers. Examples of the calculation of the benefit ratio are as follows:

Employer A.—Benefits charged for one year .....\$ 1,000  
 Average pay roll for 3 years ..... 100,000  
 \$1,000 divided by \$100,000—1 per cent. Contribution rate of 1 per cent for this employer would be just sufficient to finance his benefit charges, but would not provide a reserve.

Employer B.—Benefits charged for one year .....\$ 9,000  
 Average pay roll for three years .....100,000  
 \$9,000 divided by \$100,000—9 per cent. In order for this employer to finance his benefits a contribution rate of 9 per cent would have to be charged. However, in practice maximum contribution rates are reduced below the benefit ratios where such ratios appear to be excessive.

### (c) Reserve Ratio

The "reserve ratio" is obtained by subtracting from the total amount of contributions of the employer, since he first became eligible, the total amount of benefits charged and dividing by the average annual pay roll for the experience period. This method is less responsive to changes in the employer's experience. It will operate to produce more adequate reserves since reduced rates are generally not given until a substantial balance has been accumulated in the employer's account. The use of the reserve ratio enables employers to watch the balance in their account. The calculation of the reserve ratio for employers with the same pay roll and benefits as in the benefit ratio method is shown as follows:

Employer A.—(Liable 5½ years)

Total contributions \$100,000 x .027 x 5½	\$ 14,850
Total benefits charged 3 years	3,000

Total reserve	11,850
Average pay roll (3 years)	100,000
\$11,850 divided by \$100,000 equals	11.85%

This employer would be eligible for a reduced rate under most experience rating plans.

Employer B.—(Liable 5½ years)

Total contributions \$100,000 x .027 x 5½	\$ 14,850
Total benefits charged	27,000

Total deficit	—12,150
Average pay roll (3 years)	100,000
\$12,150 divided by \$100,000 equals	—12.15%

This employer would be assessed a higher rate under most state experience rating plans.

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**TABLE NO. 9**  
**Comparison of Yield by Contributions Under Experience Rating**

**Automatic Experience Rating Plan**

Under an automatic experience rating plan the employer's rate bears a more or less direct relationship to his benefit experience. However, as a practical matter, in order to avoid the assessment of prohibitive rates against some employers, contribution rates for employers with relatively "good" experience are so calculated that a certain proportion of their contributions are allocated to a general fund. Employers with the highest contribution rates would be charged with a rate less than their experience actually indicates, and the resulting deficiency would be made up from the contributions of the employers with the lower rates. In other words, the minimum rates for employers with the best experience records would be higher than their experience would seem to warrant, and the maximum rates for employers with the highest rates would be lower than the maximum which their records would seem to warrant.

**Proposed Contribution Rates Under Experience Rating**

Contribution rates under experience rating vary widely from state to state. In Montana the drain on the unemployment compensation fund has been largely from those employers in industries which have a very high degree of fluctuation of employment, and correspondingly high benefits in proportion to pay rolls and contributions. A practicable schedule for Montana would seem to call for fairly high maximum rates and only moderately low minimum rates. A rate structure varying from 1.0 to 6.0 percent has been selected for study as applicable to Montana benefit experience during the three-year period.

In Table No. 9 these rates have been allocated to benefit-pay roll ratio classes from 0.0 benefit ratio to 6.0 and over. Thus, an employer whose benefit ratio falls between 0.0 and 0.6 would be allowed a 1.0 percent contribution rate; an employer whose benefit ratio falls between 0.7 and 1.5 would be allowed a 2.0 percent contribution rate, etc. Employers with a benefit ratio of over 6.9 would be assessed the maximum contribution rate of 6.0 percent.

A study has been made of the yield in contributions, which would have been made under such a schedule, in the past three-year period, on the basis of average benefit-pay roll ratios by industries of all employers, whether or not such employers have had three years of benefit experience. This method of calculation does not take into account the variations of individual employers within the industry and is presented mainly for the purpose of illustrating the principles of applying varying rates.

The calculation, however, is useful in showing the approximate distribution of industries which would contribute less than the standard rate of 2.7 percent and the distribution of industries which would contribute more than the standard rate. The following summary shows the percentage of the total pay rolls in the state which have come under the various rates of the schedule in these calculations:

Percent of Total Pay Roll	Rate of Contribution
13.0	1.0
21.2	2.0
46.2	2.7
6.1	3.0
3.0	4.0
5.6	5.0
4.9	6.0

The calculation shows a decrease in total contributions of \$19,800 from the total contribution of 2.8 million dollars at 2.7 percent.

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Comparison of Yield by Contributions Under Experience Rating, of All Industries Based on Average of 3-Year Benefit Payroll Ratios with Contributions at 2.7 Percent.

TABLE NO. 9

(Automatic Experience Rating Plan)						
Industry	Average Payroll 3 Years*	Percent of Total Payroll	Benefit Payroll Ratio	Proposed Contributions Rate	Amount of Contributions Yielded by Proposed Rates	Average Amount of Cont. 3 Years Yielded at 2.7%
All Industries .....	\$103,644,561	100	2.4	2.68	\$2,778,603	\$2,798,403
(35) Nonferrous Metals .....	7,595,173	7.4	0.3	1.0	205,070	129,118
(27) Printing and Publishing .....	2,035,466	2.0	0.6	1.0	20,355	34,603
(60-66) Finance, Insurance, Real Estate .....	3,697,043	3.6 (13.0)	0.6	1.0	36,970	62,850
(29) Petroleum Products .....	1,466,142	1.4	0.8	2.0	29,323	39,585
(46) Telephone and Telegraph .....	1,748,492	1.7	0.8	2.0	34,970	47,209
(48-49) Utilities .....	4,604,657	4.4	1.1	2.0	92,093	124,326
(13) Petroleum and Natural Gas Production .....	2,309,460	2.2	1.4	2.0	46,189	62,356
(50-52) Wholesale Trade .....	10,141,539	9.8	1.4	2.0	202,831	273,822
(80-86) Professional and Social Services .....	1,772,918	1.7 (21.2)	1.4	2.0	35,458	47,869
(79-76) Business and Repair Services .....	958,532	0.9	1.6	2.7	25,880	25,880
(53-57) Retail Trade .....	15,009,835	14.5	1.7	2.7	406,885	406,885
Miscellaneous n. e. c. ....	211,071	0.2	1.8	2.7	5,699	5,699
(MF) Miscellaneous Manufacturing .....	1,906,037	1.8	2.0	2.7	51,463	51,463
(10) Metal Mining .....	19,740,838	19.1	3.1	2.7	533,002	533,002
(41-45) Transportation .....	2,442,230	2.4	3.1	2.7	65,940	65,940
(72) Personal Services .....	1,729,901	1.6	3.2	2.7	46,707	46,707
(75) Filling Stations .....	1,627,658	1.6	2.4	2.7	43,946	43,946
(24) Lumber Manufacturing .....	4,274,682	4.1 (46.2)	2.9	2.7	115,417	115,417
(78-79) Motion Pictures and Amusements .....	1,006,458	1.0	3.0	3.0	30,194	27,175
(20) Food Manufacturing .....	5,312,427	5.1 (6.1)	3.8	3.0	159,373	143,435
(17) Contracting, Special Trades .....	1,525,962	1.5	4.8	4.0	61,038	19,837
(70) Hotels and Rooming Houses .....	1,562,382	1.5 (3.0)	4.9	4.0	61,055	19,843
(12) Coal Mining .....	2,004,079	1.9	5.0	5.0	100,204	46,094
(71) Eating and Drinking Places .....	3,859,506	3.7 (5.6)	5.8	5.0	192,975	88,768
(14) Nonmetallic Mining .....	366,722	0.4	6.8	6.0	22,003	9,902
(15) Contracting, Building .....	1,693,956	1.6	7.2	6.0	101,637	45,737
(16) Contracting, Other .....	3,017,395	2.9 (4.9)	11.7	6.0	181,044	81,470
Total					\$361,074	\$380,874

\*Payroll-Wages Subject to Contribution.

Automatic Experience Rating Plan		
Ratio Class	Proposed Contribution Rate %	
0.0-0.6 .....	1.0	
0.7-1.3 .....	2.0	
1.4-2.9 .....	2.7	
3.0-3.9 .....	3.0	
4.0-4.9 .....	4.0	
5.0-5.9 .....	5.0	
6.0 and over .....	6.0	

### (3) Wages Used in Paying Benefits

This method called the "Cliffe Plan" provides for charging each employer with the amount of benefit wages paid by him during their respective base years to all of his employees, or former employees, who have subsequently claimed benefits and remained unemployed throughout the waiting period and first compensable week. The employer's experience factor is determined by dividing the benefit wages paid to workers by the total taxable pay roll.

A comparison of the total amount of benefits paid in the state during a 3-year period is made with the grand total of all benefits charged in the state against all employers for the 3 years. This determines the "state experience factor." The benefit wage formula might be explained as follows:

Total Benefit Wages Charged

Against Employer A

State Total Benefits Paid

X

Employer A's Taxable Pay Roll

State Total Benefit Wages

As with the benefit ratio plan the wage ratio plan is based on the concept of replenishment only, and does not provide for adequate reserves. The benefit wage ratio plan has the disadvantage of being difficult for the employer to understand, since beneficiary wages have no meaning until they have been weighed in terms of average state experience.

TABLE NO. 10

#### Calculation of Contribution Rates by Predictable Income Plan Based on Proportion of Pay Rolls Falling in Specific Classes

Automatic experience rating as shown in Table 9 may or may not produce the same net yield of contributions as the standard rate of 2.7 percent.

In Montana it is deemed essential that any experience rating plan should be devised to produce the same yearly income as is now obtained by a flat contribution rate of 2.7 percent. In order to accomplish this end, employer pay rolls must be classified into rate groups and contribution rates assigned in such proportion as will yield 2.7 percent. It is possible to so arrange the rate structure to provide an equal yield from each rate group. However, most states have found it advisable to fit the proportion of pay rolls in the rate structure to the actual state experience.

This method has been followed in Table 10, according to benefit ratios beginning with the lowest and ending with the highest ratios. The rate classes have been calculated to yield an average return of 2.7 percent. Thus, the division of the payroll at the first 16 percent (employers with lowest ratios) cuts across the telephone and telegraph industry, where there is a change in rate from 1.0 to 2.0 percent.

The table may be summarized as follows:

Percent of Pay Roll	Rate of Contribution
16.0	1.0
18.0	2.0
40.0	2.7
8.0	3.0
8.0	4.0
6.0	5.0
4.0	6.0

The average yield is 2.7 percent. The net increase of \$3,491 is as close as can be calculated with one decimal place.

Calculation of Contribution Rates by Predictable Income Plan Based on Proportion of Payrolls Falling in Specific Classes

TABLE NO. 10

INDUSTRY

INDUSTRY	Average Payroll 3 Years	Percent of Total Payroll	Proposed Contribution Rate	Amount of Contribution Yielded by Proposed Rates	Average Amount of Contributions, 3 Years, Yielded at 2.7%	Increase By Proposed Rates	Decrease By Proposed Rates
All Industries .....	\$103,644,561	100.0	2.70	\$2,501,894	\$2,798,403	(net) 3.491	129,118
(35) Nonferrous Metals .....	7,595,173	7.4	1.0	75,952	205,070		34,603
(27) Printing and Publishing .....	2,035,466	2.0	1.0	20,355	54,958		62,850
(60-66) Fin. Ins. and Real Estate .....	3,697,043	3.6	1.0	36,970	99,820		24,924
(29) Petroleum Products .....	1,466,142	1.4	1.0	14,661	39,585		27,670
(46) Telephone and Telegraph .....	1,627,658	1.6 (16.0)	1.0	16,277	43,947		846
(46) Telephone and Telegraph .....	120,834	0.1	2.0	2,417	3,263		32,233
(48-49) Utilities .....	4,604,657	4.4	2.0	92,093	124,326		16,167
(13) Petroleum and Nat. Gas Prod. ....	2,309,460	2.2	2.0	46,189	62,356		70,991
(50-52) Wholesale Trade .....	10,141,539	9.8	2.0	202,831	273,822		10,682
(80-86) Prof. and Soc. Service .....	1,525,962	1.5	2.0	30,519	41,201		
(80-86) Prof. and Soc. Service .....	246,956	0.9	2.7	6,668	6,668		
(73-76) Bus. and Rep. Services .....	958,532	0.9	2.7	25,880	25,880		
(53-57) Retail Trade .....	15,069,835	14.5	2.7	406,885	406,885		
Miscellaneous n. e. c. ....	211,071	0.2	2.7	5,699	5,699		
(MF) Miscellaneous Manufacturing .....	1,906,037	1.8	2.7	51,463	51,463		
(10) Metal Mining .....	19,740,338	19.1	2.7	533,002	533,002		
(41-45) Transportation .....	2,442,230	2.4	2.7	65,940	65,940		
(72) Personal Services .....	958,532	0.9	2.7	25,880	25,880		
(72) Personal Services .....	771,369	0.7	3.0	23,141	20,827		2,314
(75) Filling Stations .....	1,627,658	1.6	3.0	48,830	43,946		4,883
(75) Filling Stations .....	4,274,682	4.1	3.0	128,240	115,417		12,824
(24-79) Motion Pictures and Amusements .....	1,006,458	1.0	3.0	30,194	27,175		3,020
(20) Food Manufacturing .....	621,867	0.6 (8.0)	3.0	18,656	16,790		1,866
(20) Food Manufacturing .....	4,690,560	4.5	4.0	187,622	126,645		60,977
(17) Contr. Spec. Trades .....	1,525,962	1.5	4.0	61,038	41,201		19,837
(70) Hotels and Rooming Houses .....	1,526,382	1.5	4.0	61,055	41,212		19,843
(12) Coal Mining .....	537,937	0.5 (8.0)	4.0	21,517	14,524		6,933
(12) Coal Mining .....	1,466,142	1.4	5.0	73,307	39,586		33,721
(71) Eating and Drinking Places .....	3,859,506	3.7	5.0	192,975	104,207		88,768
(14) Nonmetallic Mining .....	3,859,722	3.7	5.0	18,336	9,901		8,435
(15) Contractors, Building .....	537,937	0.5 (6.0)	5.0	26,897	14,525		12,372
(15) Contractors, Building .....	1,156,019	1.1	6.0	69,361	31,213		38,148
(16) Contractors, Other .....	3,017,395	2.9 (4.0)	6.0	181,044	81,470		99,574
Total .....						413,575	410,084



## **Minimum and Maximum Rates Under Experience Rating**

After it has been decided as to what method is to be used in the determination of the employer's experience the question of minimum and maximum contribution rates will have to be decided. Furthermore, the net effect of the application of rates under experience rating on the solvency of the fund must be taken into account. It is the opinion of the commission that the average contribution rate of experience rating should be not less than 2.7 per cent of the taxable employer's pay roll. Consequently, any reduction rates to employers with more favorable experience must be balanced by increases in rates to employers with less favorable experience. Again, a rate structure must be set up with as wide a range as possible to encourage employers' efforts to stabilize their employment. On the other hand, it is recognized that maximum rates must not be unduly burdensome.

### **Assessing Liability for Benefit Payments Against Specific Employers**

In order to determine which benefit payments shall be charged against specific industries or employers for the purposes of experience rating, it would be necessary to decide which employer shall be held responsible for each claimant's unemployment. This is a difficult problem for which there appears to be no completely fair solution. Employers may be charged according to any number of different methods, none of which would be fair to all employers. A discussion of all possible methods is not feasible in this report, but the commission has selected for study four practical methods by which the benefits received by each claimant would be charged against his employers by one of the four methods, as follows:

- A. Against his most recent employer;
- B. Against his principal employer in the base period;
- C. Against his principal employer in the quarter of highest earnings in the base period;
- D. Against all his employers in the base period in proportion to wages they have paid to him.

A brief resume of the advantages and disadvantages of each method follows:

#### **A. Benefits Charged Against Most Recent Employer**

This method may be defended on the ground that the last employer is literally responsible for the unemployment of the claimant, because if the claimant had not lost his job with his last employer he wouldn't have become unemployed and therefore wouldn't have drawn benefits. It has the advantage of simplicity of administration.

Some of the disadvantages of this method are:

1. The last employer may not be in fact properly chargeable with the responsibility for the unemployment of the claimant, since that employer may have found the worker already idle and may have provided him with a temporary job, the only employment available.
2. The charges may be entirely out of proportion to the previous unemployment in the case of a claimant who has worked only a short

time with the most recent employer. In such cases the charges bear no relation to wages earned from such employer.

3. Benefit rights in most states being determined on wages earned from employers in the base period, and in Montana on all wages earned in the highest quarter, charges to the most recent employer may have little, if any, relation to benefit payments. These disadvantages, however, apply largely to the allocation of benefit charges of claimants who work for more than one employer.

One example may illustrate each of the three disadvantages above:

Claimant X works steadily for Employer A for one or more years, receiving \$125 per month in wages. X loses his job with A and is in search of employment. He applies to B who gives him temporary employment for two weeks at \$30 per week. When this job is finished X is again unemployed and immediately files claim for benefits. Since the employment with B does not come within X's base period, X's benefits are determined solely from wages earned from A. X may draw a maximum of benefits of \$240, which would amount to four times the amount of wages drawn from B, yet the entire amount of benefits would be charged to B, who, in the last analysis, had relieved X's unemployment to the extent of temporarily employing him.

4. Another difficulty arises under this method in determining accurately the identity of the last employer. Employer reports for the quarter in which a claimant files for benefits are not yet due at the time of his filing and, consequently, information from employer sources from which to determine the identity of his last employer is not available. Therefore, charges would be made on the basis of statements submitted by the claimant, unless each employer in the state promptly submitted notices of separation for every worker leaving his employment. Information received from the claimant with respect to the last employer might be either unintentionally or intentionally inaccurate.

## **B. Benefits Charged Against the Principal Employer in the Base Period**

Under this method the employer who gave the claimant most employment in the claimant's base period would be charged with his unemployment on the theory that this more nearly represents the claimant's customary employment. It offers simplicity in administration.

It may be objected to on the grounds that such employer may not be always responsible for the unemployment of the claimant. The claimant may have voluntarily left his permanent employment with such employer to take another job which he lost later involuntarily.

## **C. Benefits Charged Against the Principal Employer in the Quarter of Highest Earnings in the Base Period**

This method would be simple and inexpensive to administer and the charges would be made in terms of the specific wages which are used as the basis of benefits in this state.

As by Method B, this may be an unfair charge to this employer.

#### **D. Benefits Charged Against All of Claimant's Employers in the Base Period in Proportion to Wages They Have Paid to Him**

This method seems to have the advantage of apportioning charges to all employers during the period of employment upon which a claimant's benefits are computed, according to the employment given by each.

This method would require involved calculations and would be difficult and expensive to administer. As in B and C, it would frequently be unfair to charge any or all of a claimant's employers in his base period with the responsibility of his current unemployment.

Thus, none of the four above methods equitably charges every employer with the responsibility for a claimant's unemployment and, in many instances, charges would be made against employers who contributed in no way to the unemployment of the claimant. The same objection applies to every other method of which the Commission has knowledge.

For the purpose of the study, the commission felt that at least the four above methods of charging benefits should be given consideration; so, for the first year of benefit payments the commission undertook to find, by actual calculations, what charges would be made to employers, both by industry and by individual employers, by each of the four methods. This represented a considerable amount of calculation and tabulation of many thousands of records.

It was not practicable to undertake the study by each of the four methods for the three years, since such a study would involve a considerable item of time and cost. The results of the study of the first year's charges indicate, however, that there is a close similarity in results by each of the four methods. Therefore, for a matter of expediency, the commission used only the "A" method in charging back benefits for the second and third years of benefit payments.

There undoubtedly will be some individual differences over results which might have been obtained if all four methods had been used for each of the three years. However, the total differences will be comparatively slight, and the commission felt that such use of one method for the second two years would be sufficient for the purposes of this study.

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**TABLE NO. 11**

#### **Number and Percent of Employers by Industry Charged With Benefits by Four Methods: 1939-40**

Four methods of charging benefits were studied for employers whose employees received benefits during the period 1939-1940, as follows:

A—Charging all benefits to most recent employer;

B—Charging all benefits to principal employer in base period;

C—Charging all benefits to principal employer in base period in quarter of highest earnings;

D—Charging benefits to all employers in base period in proportion to wages earned.

For those claimants who worked for the same employer prior to the time of filing a claim for benefits, the charges under each of these four methods would be exactly the same. For claimants who worked for more than one employer, the charges would vary according to the following factors:

# Number and Percent of Employers by Industry Charged With Benefits by Four Methods, 1939-1940

Industry	Number of Employers				Percent of All Employers Charged									
	Total A B C or D	Total A (*)	Total B (*)	Total C (*)	Total D (*)	Total A Only-1	Total D Only-2	Pct. A	Pct. B	Pct. C	Pct. D	Pct. A Only	Pct. D Only	
All Industries .....	7,080	4,838	4,911	4,960	6,512	568	1,342	67.2	69.4	70.0	91.8	8.2	19.1	
Mining .....	631	428	437	449	566	65	121	67.8	69.3	71.2	89.7	10.3	19.2	
(10) Metal Mining .....	309	223	231	233	283	26	46	73.5	74.8	75.4	91.6	8.4	14.9	
(12) Coal Mining .....	122	88	95	96	110	12	19	72.1	77.9	78.7	90.2	9.8	15.6	
(13) Petroleum & Natural Gas Production .....	145	81	78	84	130	15	44	55.9	53.8	57.9	89.7	10.3	30.3	
(14) Nonmetallic Mining .....	55	32	33	36	43	12	12	58.2	60.0	65.5	78.2	21.8	21.8	
Construction .....	891	575	559	557	810	81	200	64.5	62.7	62.5	90.9	9.1	23.6	
(15) Contractors, Building .....	275	170	179	178	247	28	60	61.8	65.1	64.7	89.8	10.2	21.8	
(16) Contractors, Other .....	223	138	123	122	185	38	50	61.9	55.2	54.7	83.0	17.0	22.4	
(17) Contractors, Special Trade .....	393	267	257	257	378	15	90	67.9	65.4	65.4	96.2	3.8	22.9	
Manufacturing .....	539	383	391	392	482	57	96	71.2	72.5	72.6	89.3	10.6	17.8	
(20) Food Manufacturing .....	209	161	163	166	189	20	25	77.0	78.0	79.4	90.4	9.6	12.0	
(24) Lumber Manufacturing .....	139	93	92	94	124	15	33	66.9	66.2	67.6	89.2	10.8	23.7	
(27) Printing and Publishing .....	69	47	50	49	65	4	14	68.1	72.5	71.0	94.2	5.8	20.3	
(29) Petroleum Products .....	24	17	23	22	22	2	1	0.4	0.5	0.4	0.3	0.4	0.1	
(33) Nonferrous Metals .....	15	8	6	8	10	5	5	0.2	0.1	0.2	0.2	0.9	0.1	
(MF) Miscellaneous Manufacturing .....	83	57	57	53	72	11	18	1.2	1.2	1.1	1.1	1.9	1.3	
Transportation, Communication and Utilities .....	309	204	199	199	275	34	62	66.0	64.4	64.4	89.0	11.0	20.1	
(41-45) Transportation .....	227	158	150	151	202	25	38	69.6	66.1	66.5	89.0	11.0	16.7	
(46) Telephone and Telegraph .....	23	11	13	14	19	4	6	47.8	56.5	60.9	82.6	17.4	26.1	
(48-49) Utilities .....	59	35	36	34	54	5	18	59.0	61.0	57.6	91.5	8.5	30.5	
Wholesale and Retail Trade .....	3,455	2,436	2,528	2,525	3,213	242	568	70.5	73.2	73.1	93.0	7.0	16.4	
(50-52) Wholesale Trade .....	1,581	1,089	1,093	1,092	1,330	51	115	66.9	67.6	69.2	91.2	8.8	19.8	
(53-57) Retail Trade .....	1,429	1,018	1,061	1,055	1,325	104	222	71.2	74.2	73.8	92.7	7.3	15.5	
(71) Eating and Drinking Places .....	1,030	755	781	777	970	60	153	73.3	75.8	75.4	94.1	5.8	14.9	
(75) Filling Stations .....	415	274	293	291	388	27	78	66.0	70.6	70.1	93.5	6.5	18.8	
(60-66) Finance, Insurance and Real Estate .....	202	114	116	114	175	27	51	56.4	57.4	56.4	86.6	13.4	25.2	
Service .....	1,053	698	681	724	991	62	224	66.3	64.7	68.8	94.1	5.9	23.2	
(70) Hotels and Rooming Houses .....	318	245	244	249	302	16	47	77.0	76.7	78.3	95.0	5.0	14.8	
(72) Personal Services .....	266	168	171	172	214	12	36	74.3	75.7	76.1	94.7	5.3	16.0	
(73-76) Business and Repair Services .....	128	81	86	81	120	8	35	63.3	66.0	63.3	93.8	6.3	27.3	
(78-79) Motion Pictures and Amusements .....	143	100	102	100	131	12	24	70.0	71.3	70.0	91.6	8.4	16.8	
(80-86) Professional and Social Services .....	328	101	118	122	224	14	102	43.7	49.7	51.3	94.1	5.9	43.0	
*Methods of Charging:														

\*Methods of Charging:

A—Most Recent Employer

B—Principal Employer in Base Period

C—Principal Employer in Quarter of Highest Earnings.

D—Proportionate to Earnings of Claimants in Base Period.

(1) Includes only those most recent employers who were not base period employers.

(2) Includes only those base period employers who were not most recent employers, principal employers in base period, or principal employers in quarter of highest earnings.



### **(A) Charging to Most Recent Employer Only**

If the claimant worked for an employer for whom he had not worked before during the base period, that employer would be charged all the benefits paid to the claimant. An extreme case would be a claimant who worked only one day for an employer, earning, for example, \$5.00, and then being laid off. However, this claimant had earned sufficient wages from other employers to entitle him to benefits for 16 weeks, amounting to \$240, which would be charged to the employer who paid him only \$5.00 in wages.

### **(B) Charging to Principal Employer in Base Period**

If a claimant worked for only one employer in his base period, benefits would be paid the same as under (D). However, if the claimant had had more than one employer in his base period, all benefits would be charged to the one employer who paid the most wages within the base period.

### **(C) Charging to Principal Employer in Base Period in the Quarter of Highest Earnings**

If a claimant had only one employer in his base period, charges under this method would be the same as under (B) and (D). In the event, however, that the claimant had more than one employer in his base period, charges would be made to the employer who paid the claimant the most wages in a single quarter of the base period. Justification for this lies in the fact that in Montana, the amounts of weekly benefits are determined by the wages drawn in the highest quarter.

### **(D) Charging to an Employer in Proportion to Wages Earned in Base Period, Who Was Not Principal Employer in Base Period, or Principal Employer in Quarter of Highest Earnings.**

In certain instances, a claimant who worked for a number of employers might have some proportion of his benefits charged to employers who were not most recent, principal employers in base period, or principal employers in quarter of highest earnings. However, the study shows that of a total of 7,080 employers charged, 67.2 percent to 70.0 percent of the employers were most recent, principal employers in base period, and principal employer in quarter of highest earnings. Charging to all employers in proportion to wages paid included 91.8 percent of the employers. 8.2 percent of the employers were charged as most recent only, and 19.1 percent were charged as proportionate employers only.

Charges to each industry in general showed approximately the same percentages in each group.

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**TABLE NO. 12**  
**Amount and Percent of Benefits Charged by Four Methods**  
**by Industry. 1939-40**

This table shows that the amount of benefits charged by the four alternative methods would be approximately the same. Of about \$3,000,000 benefits charged, only 1.4 percent were to most recent employers only, and 1.6 percent to proportionate employers only.

It is concluded that, on an average, any one of the four methods of charging benefits would distribute the charges in a fairly uniform manner. Inasmuch as charges by the most recent employer were available for the entire period, all calculations have been made on that basis.

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# AMOUNT AND PERCENT OF BENEFITS CHARGED BY FOUR METHODS BY INDUSTRY, 1939-1940

TABLE NO. 12

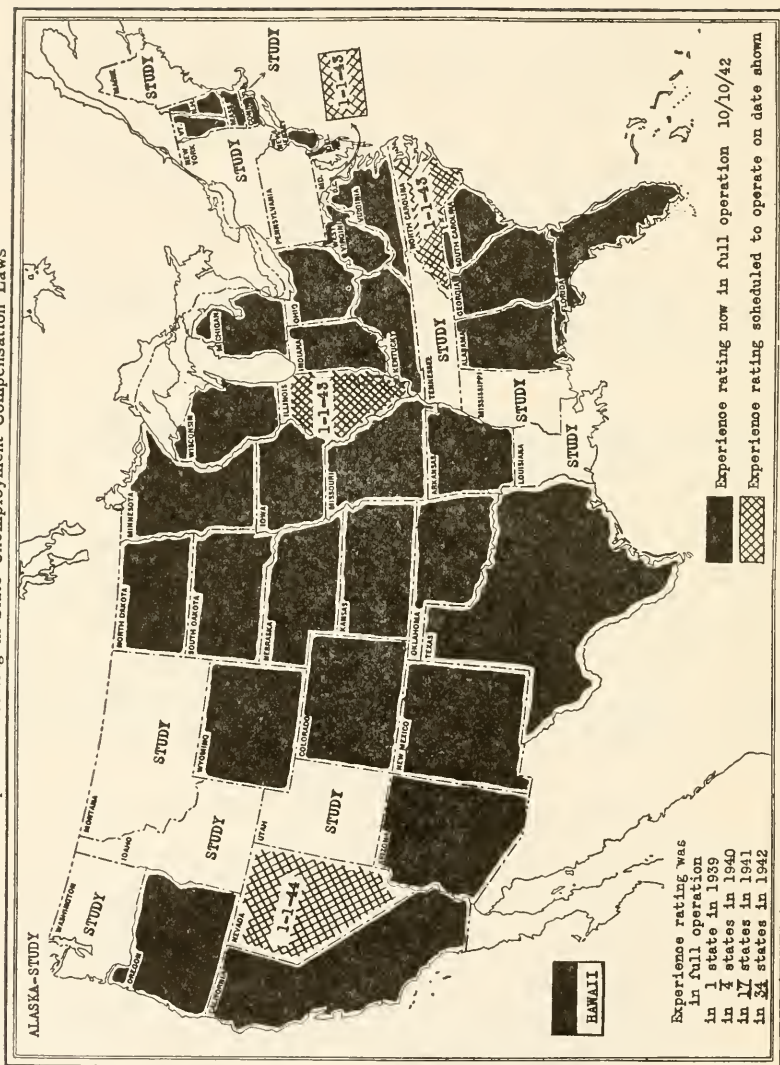
Industry	Average D A B C & D	\$	Total A	Total B	Total C	Total D	Total A Only—1	Total D Only—2	Percent A Only—1	D Only—2
All Industries (7,080 Employers) .....										
Mining (631 Employers) .....	708,076	694,424	711,521	711,798	715,098	\$41,967	\$49,145	1.4	1.6	
(10) Metal Mining .....	504,829	495,461	507,576	506,262	510,018	4,539	5,454	0.7	0.8	
(12) Coal Mining .....	128,557	126,892	139,137	129,241	128,958	1,548	1,793	0.3	0.4	
(13) Petroleum and Natural Gas Production .....	35,795	36,045	35,238	36,377	36,058	1,123	1,171	0.9	0.9	
(14) Nonmetallic Mining .....	38,895	39,026	39,570	39,918	40,064	886	1,730	2.5	4.8	
Construction (891 Employers) .....	719,607	720,079	716,308	717,483	724,557	9210	6,437	2.7	1.9	
(15) Contractors, Building .....	174,014	162,148	176,248	178,103	179,558	3,238	2,771	1.3	0.9	
(16) Contractors, Other .....	461,775	467,733	459,524	458,406	460,336	4,947	2,771	2.0	0.8	
(17) Contractors, Special Trades .....	83,818	90,198	80,436	79,974	84,664	1,025	2,154	1.1	0.6	
Manufacturing (530 Employers) .....	497,492	503,219	495,330	496,188	495,518	2,604	6,410	0.5	1.3	
(20) Food Manufacturing .....	258,117	259,129	258,499	260,042	254,797	710	1,922	0.3	0.8	
(24) Lumber Manufacturing .....	146,841	150,036	144,154	145,070	148,105	3,476	1,846	0.5	1.2	
(27) Printing and Publishing .....	11,692	11,622	11,739	11,519	11,886	776	178	2.6	1.5	
(29) Petroleum Products .....	16,222	15,607	17,245	16,625	15,409	240	12	1.5	0.1	
(35) Nonferrous Metals .....	14,293	15,972	13,571	13,458	14,170	92	626	0.6	4.4	
(MF) Miscellaneous Manufacturing .....	50,237	50,853	50,622	49,474	51,151	486	1,826	1.0	3.6	
Transportation, Communication and Utilities (309 Employers) .....										
(41-45) Transportation .....	134,552	142,513	130,619	131,036	133,865	2,446	2,771	1.7	2.1	
(46) Telephone and Telegraph .....	57,859	62,964	55,969	55,991	56,942	1,854	1,690	2.9	3.0	
(48-49) Utilities .....	15,238	14,313	15,532	15,406	15,699	128	73	0.9	0.5	
(48-49) Utilities .....	61,455	65,236	59,718	59,639	61,224	464	1,008	0.7	1.6	
Wholesale and Retail Trades (3,455 Employers) .....										
(50-52) Wholesale Trades .....	702,957	693,607	700,043	698,782	719,391	17,068	20,623	2.6	2.9	
(53-57) Retail Trades .....	150,223	151,233	148,368	147,950	153,339	3,477	3,693	2.3	2.4	
(71) Eating and Drinking Places .....	289,732	284,078	288,992	288,581	297,275	6,514	8,553	2.3	2.9	
(75) Filling Stations .....	215,914	212,166	215,683	215,975	219,833	4,389	5,105	2.1	2.3	
(75) Filling Stations .....	47,088	46,130	47,000	46,276	48,944	2,688	3,272	5.8	6.7	
Finance, Insurance and Real Estate (202 Employers) .....										
Service (1,053 Employers) .....	23,359	22,818	23,375	23,896	23,345	1,827	906	8.0	3.9	
(70) Hotels and Rooming Houses .....	177,732	176,806	175,782	174,627	182,033	4,273	6,544	2.4	3.6	
(72) Personal Services .....	35,170	33,605	39,955	39,975	72,335	1,436	1,585	1.95	2.2	
(73-76) Business and Repair Services .....	18,791	18,001	35,372	35,005	36,514	793	740	2.3	2.0	
(78-79) Motion Pictures and Amusements .....	29,016	30,143	18,858	18,697	19,607	551	1,148	3.1	5.9	
(80-86) Professional and Social Services .....	23,287	21,270	28,774	28,584	30,260	1,047	904	3.5	3.0	
Miscellaneous n. e. c. * .....	2,028	2,127	22,823	22,366	23,317	446	2,167	2.0	9.0	
Miscellaneous n. e. c. * .....		1,551	1,218	1,633	5,838					

\*Not elsewhere classified.

## Methods of Charging:

- A—Most recent employer.
- B—Principal employer in base period.
- C—Principal employer in quarter of highest earnings.
- D—Proportionate to earnings of claimant in base period.
- 1—Includes only those most recent employers who were not base period employees.
- 2—Includes only those base period employers who were not most recent employees, principal employers in base period or principal employers in quarter of highest earnings.

# Experience Rating in State Unemployment Compensation Laws



### Maximum rate under experience-rating provisions of different states:

4.1 percent (1 law)	4 percent (8 laws)	3.7 percent (2 laws)	3.6 percent (8 laws)	3.5 percent (1 law)	3.25 percent (1 law)	2.7 percent (16 laws)	No provision (1 law)
Missouri. <sup>1</sup>	Arkansas. Delaware. <sup>2</sup> District of Columbia. Michigan. <sup>3</sup> Oklahoma. Oregon. Texas. Wisconsin.	Indiana. <sup>4</sup> Kentucky.	Arizona. <sup>4</sup> Colorado. Illinois. Iowa. New Jersey. New Mexico. South Carolina. Wyoming.	Ohio.	Minnesota.	Alabama. California. Connecticut. Florida. Georgia. Hawaii. Kansas. Massachusetts. Nebraska. New Hampshire. North Carolina. North Dakota. South Dakota. Vermont. Virginia. West Virginia.	Nevada.

### Minimum rate under experience-rating provisions of different states:

1.7 percent (1 law)	1.5 percent (2 laws)	1 percent <sup>1</sup> (9 laws)	0.9 percent (7 laws)	0.7 percent (2 laws)
Florida.	Connecticut. District of Columbia.	Arizona. Arkansas. California. Georgia. Michigan. Nevada. North Dakota. Oregon. Wyoming.	Colorado. Iowa. Kansas. New Jersey. New Mexico. South Carolina. West Virginia.	Ohio. Virginia.

0.54 percent (1 law)	0.5 percent (8 laws)	0.27 percent (1 law)	0.135 percent (1 law)	0 (4 laws)
Vermont.	Alabama. Delaware. Illinois. Massachusetts. Minnesota. New Hampshire. Oklahoma. Texas.	North Carolina.	Indiana.	Hawaii. Kentucky. Missouri. Wisconsin.

<sup>1</sup> Rate 4 percent on wages for exempted temporary work; contributions not credited and benefits not charged on such work, sec. 9429 (f).

<sup>2</sup> For seasonal work: from January 1, 1942, to April 1, 1943, maximum rate 2.7 percent; thereafter, same as for nonseasonal work, sec. 19 (c).

<sup>3</sup> Rate 3 percent on wages for seasonal work until January 1, 1944.

<sup>4</sup> Maximum 2.7 percent until January 1, 1943.

<sup>5</sup> New York law provides for study of experience rating and sets minimum rate of 1 percent, sec. 518.4.

# Summary of significant experience rating provisions of different states:

State	Type of fund <sup>1</sup>	Effective date <sup>2</sup>	Computation date	Index of experience with unemployment risk	Employers charged for compensable unemployment
Alabama.....	P	Apr. 1941.....	Dec. 31.....	Ratio of benefit wages to pay roll.	All base period employers prop.
Alaska <sup>3</sup> .....	P-S				
Arizona.....	P	Jan. 1942.....	July 1.....	Reserve ratio.....	All base period employers prop.
Arkansas.....	P	Apr. 1942.....	Dec. 31.....	do.....	Base period employers in inverse order.
California.....	P	Jan. 1941.....	July 1.....	do.....	All base period employers prop.
Colorado.....	P	Jan. 1942.....	Dec. 31.....	do.....	Base period employers in inverse order.
Connecticut.....	P	Apr. 1941.....	do.....	Ratio of pay roll to weekly benefit amounts.	Employers in 8 weeks preceding compensable unemployment.
Delaware.....	P	Jan. 1942.....	do.....	Ratio of benefit wages to pay roll.	All base period employers prop.
District of Columbia.....	P	July 1943.....	Not specified.....	Not specified.....	Not specified.....
Florida.....	P	Jan. 1942.....	Dec. 31.....	Ratio of benefits to pay roll.	Most recent base period employer.
Georgia.....	P-S	do.....	do.....	Reserve ratio.....	All base period employers prop.
Hawaii.....	P-S	Apr. 1941.....	do.....	do.....	do.....
Idaho <sup>3</sup> .....	P-S	Report on study due Jan. 1941.			
Illinois.....	P-S	Jan. 1943.....	Dec. 31.....	Ratio of benefit wages to pay roll.	All base period employers prop.
Indiana.....	C	Jan. 1940.....	do.....	Reserve ratio.....	Base period employers in inverse order.
Iowa.....	P	Jan. 1942.....	do.....	do.....	do.....
Kansas.....	P	Jan. 1941.....	do.....	do.....	All base period employers prop.
Kentucky.....	E	do.....	Within 27 weeks preceding Jan. 1.	do.....	do.....
Louisiana <sup>3</sup> .....	P-S				
Maine <sup>3</sup> .....	P-S	Report on study due first session after Apr. 1941.			
Maryland <sup>3</sup> .....	P				
Massachusetts.....	P-S	Jan. 1942.....	Dec. 31.....	Ratio of benefit wages to pay roll.	All base period employers prop.
Michigan.....	P	do.....	do.....	Ratio of benefits to pay roll.	do.....

<sup>1</sup> As used in this column, "P" indicates a pooled fund, "C" a combined pooled and employer reserve, and "E" an employer reserve type; and "S" indicates a provision for study of experience rating.

<sup>2</sup> Due date for experience rating reports given only where specified by statute.

<sup>3</sup> No experience rating.

Method of computing employer's contribution rate	Rate schedule				State-wide reserve requirements			State
	Average contribution rate (in percent)	Maximum rate (in percent)	Minimum rate (in percent)	Number of rate classes	No rate less than the following unless balance in fund		Other provisions	
					Exceeds previous year's benefits	Equals or exceeds twice previous year's benefits	Type of rate changes which depend on condition of the fund	
Benefit wage ratio correlated with State exp. factor.		2.7	0.5	6			Rate increases and decreases. <sup>4</sup>	Alabama.
Schedule of reserve ratios.		3.6	1	4	2.7	2.0		Alaska.
do.		4	1	4	2.7	2.0		Arizona.
do.		2.7	1	5			Rate decreases.	Arkansas.
do.		3.6	.9	4	2.7	1.8		California.
Schedule of compensable separation ratio classes each containing an equal amount of pay roll.	Depending on fund, 2.1 or 2.4.	2.7	1.5	13			Rate decreases.	Colorado.
Schedule of benefit wage ratio correlated with State experience factor.		4	.5	9				Connecticut.
Not specified	2.7	4	1.5	(3)				Delaware.
Schedule of benefit ratios.		2.7	1.7	3			Rate decreases.	District of Columbia.
Schedule of reserve ratios.		2.7	1	6			do.	Florida.
do.		2.7	0	7			do.	Georgia.
								Hawaii.
Schedule of benefit wage ratio correlated with State experience factor.		3.6	.5	8			Rate increases and decreases. <sup>4</sup>	Idaho.
Schedule of reserve ratios.		3.7	.135	5			Rate decreases.	Illinois.
do.		3.6	.9	4	2.7	1.8		Indiana.
do.		2.7	.9	3	2.7	1.8		Iowa.
		3.7	0	4			Rate decreases.	Kansas.
								Kentucky.
								Louisiana.
								Maine.
Schedule of benefit wage ratio correlated with State experience factor.		2.7	.5	6			Rate decreases.	Maryland.
Schedule of benefit ratios.		4	1	12				Massachusetts.
								Michigan.

<sup>4</sup> Rate changes vary directly with the size of the State experience factor which depends on the condition of the fund.

<sup>5</sup> Not specified.



Summary of significant experience rating provisions of different states—Continued

State	Type of fund <sup>1</sup>	Effective date <sup>2</sup>	Computation date	Index of experience with unemployment risk	Employers charged for compensable unemployment
Minnesota.....	P	Jan. 1941.....	July 1.....	Ratio of benefit wages to pay roll.	All base period employers prop.
Mississippi <sup>3</sup> .....	P-S	Report on study due 1942 session.			
Missouri.....	P	Jan. 1942.....	Within 27 weeks preceding Jan. 1.	Reserve ratio.....	Most recent employer in inverse order.
Montana <sup>3</sup> .....	P-S	Report on study due Jan. 1943.			
Nebraska.....	E	Jan. 1940.....	Dec. 31.....	Not specified.....	Base period employers in inverse order.
Nevada.....	P	Jan. 1944.....	do.....	do.....	Not specified.....
New Hampshire.....	P	Jan. 1941.....	do.....	Reserve ratio.....	Most recent employer.
New Jersey.....	P	Jan. 1942.....	do.....	do.....	Same as below
New Mexico.....	P	do.....	do.....	do.....	All base period employers prop.
New York <sup>3</sup> .....	P-S	Report on study due Mar. 1940.			
North Carolina.....	C-S	Jan. 1943.....	July 1.....	Reserve ratio.....	All base period employers prop.
North Dakota.....	P	Jan. 1942.....	Dec. 31.....	do.....	do.....
Ohio.....	P	do.....	do.....	do.....	Base period employers in inverse order.
Oklahoma.....	P	do.....	Dec. 31.....	Ratio of benefit wages to pay roll.	All base period employers prop.
Oregon.....	P-S	July 1941.....	do.....	Reserve ratio.....	Not specified.....
Pennsylvania <sup>3</sup> .....	P				
Rhode Island <sup>3</sup> .....	P-S	Report on study due Feb. 1941.			
South Carolina.....	P	Jan. 1942.....	July 1.....	Reserve ratio.....	Most recent employer.
South Dakota.....	E	Jan. 1940.....	Dec. 31.....	Not specified.....	Base period employers in inverse order.
Tennessee <sup>3</sup> .....	P-S	Report on study due Nov. 1942.			
Texas.....	P	Jan. 1941.....	Dec. 31.....	Ratio of benefit wages to pay roll.	All base period employers prop.
Utah <sup>3</sup> .....	P-S	Report on study due Jan. 1943.			
Vermont.....	C	Jan. 1941.....	Dec. 31.....	Not specified.....	Base period employers in inverse order.
Virginia.....	P	do.....	do.....	Ratio of benefit wages to pay roll.	All base period employers prop.
Washington <sup>3</sup> .....	P-S	Report on study due Jan. 1943.			
West Virginia.....	P	Jan. 1941.....	Dec. 31.....	Reserve ratio.....	All base period employers prop.
Wisconsin.....	E	Jan. 1938.....	do.....	do.....	Most recent employers in inverse order.
Wyoming.....	P	Jan. 1942.....	do.....	Not specified.....	Not specified.....

<sup>1</sup> As used in this column, "P" indicates a pooled fund, "C" a combined pooled and employer reserve and "E" an employer reserve type; and "S" indicates a provision for study of experience rating.

<sup>2</sup> Due date for experience rating reports given only where specified by statute.

<sup>3</sup> No experience rating.

Method of computing employer's contribution rate	Rate schedule				State-wide reserve requirements			State
	Average contribution rate (in percent)	Maximum rate (in percent)	Minimum rate (in percent)	Number of rate classes	No rate less than the following unless balance in fund		Other provisions	
					Exceeds previous year's benefits	Equals or exceeds twice previous year's benefits	Type of rate changes which depend on condition of the fund	
Schedule of benefit wage ratio classes each containing an equal amount of pay roll.	Depending on fund, approximate 1.6; 1.8; 2.0; 2.2; and 2.9.	3.25	.5	7-11	-----	-----	Rate increases and decreases.	Minnesota.
-----	-----	-----	-----	-----	-----	-----	-----	Mississippi.
Schedule of reserve ratios.	-----	4.1	0	5	-----	-----	Rate increases and decreases.	Missouri.
-----	-----	-----	-----	-----	-----	-----	-----	Montana.
Not specified.	-----	2.7	( <sup>6</sup> )	( <sup>6</sup> )	-----	-----	-----	Nebraska.
do.	-----	-----	-----	-----	-----	-----	-----	-----
Schedule of reserve ratios.	2.7	( <sup>6</sup> )	1	( <sup>6</sup> )	-----	-----	-----	Nevada.
do.	2.7	.5	8	-----	-----	-----	-----	New Hampshire.
do.	3.6	.9	4	2.7	1.8	-----	-----	New Jersey.
do.	3.6	.9	4	2.7	1.8	-----	-----	New Mexico.
-----	-----	-----	-----	-----	-----	-----	-----	New York.
Schedule of reserve ratios.	2.7	.27	8	-----	-----	-----	Rate decreases.	North Carolina.
do.	2.7	1	3	2.7	2.0	-----	-----	North Dakota.
do.	3.5	.7	11	-----	-----	-----	Rate increases and decreases.	Ohio.
Benefit wage ratio correlated with State experience factor.	-----	4	.5	9	-----	-----	-----	Oklahoma.
Schedule of reserve ratios.	-----	4	1	7	-----	-----	Rate increases and decreases.	Oregon.
-----	-----	-----	-----	-----	-----	-----	-----	Pennsylvania.
Schedule of reserve ratios.	3.6	.9	4	-----	-----	-----	Rate decreases.	Rhode Island.
Not specified.	2.7	( <sup>6</sup> )	( <sup>6</sup> )	-----	-----	-----	-----	South Carolina.
-----	-----	-----	-----	-----	-----	-----	-----	South Dakota.
Benefit wage ratio correlated with State experience factor.	-----	4	.5	9	-----	-----	-----	Tennessee.
-----	-----	-----	-----	-----	-----	-----	-----	Texas.
Not specified.	2.7	.54	( <sup>6</sup> )	-----	-----	-----	-----	Utah.
-----	-----	-----	-----	-----	-----	-----	-----	Vermont.
Benefit wage ratio correlated with State experience factor.	2.7	.7	5	-----	-----	-----	Rate decreases.	Virginia.
-----	-----	-----	-----	-----	-----	-----	-----	Washington.
Schedule of reserve ratios.	2.7	.9	3	2.7	1.8	-----	-----	West Virginia.
do.	4	0	6	-----	-----	-----	-----	Wisconsin.
Not specified.	2.7	3.6	1	( <sup>6</sup> )	2.7	2.0	-----	Wyoming.

<sup>5</sup> Not specified.

<sup>6</sup> No provision.



# STATE ADVISORY COUNCIL

of the

## *Unemployment Compensation Commission of Montana*

In the administration of the unemployment compensation law, the commission has been greatly assisted by the Montana State Advisory Council, which was organized in conformity with standards set up by the Social Security Board. The council was established to assist the commission to formulate broad general policies relating to employment security; to promote public understanding of the purposes and policies of the employment security program; to promote plans and methods of reducing unemployment; to insure impartiality and freedom from political influence in the solution of employment security problems; to secure public cooperation in making effective special measures.

It is intended that the advisory council shall fairly represent both workers and employers, and also the general public. Representing the public on the council are Rev. John J. O'Connor, Helena; Mrs. Eva Stoutenburg, Missoula; and James V. Bennett, Scobey. Representing labor are W. A. Boyle, Billings, and Bruce I. Steinmetz, Great Falls. Representing employers are Robert D. Corette, Butte, and John F. M. Travis, Havre.

*Rev. Dr. O'Connor*—appointed May 2, 1941, for a two-year term. Rev. O'Connor is head of the department of social science at Carroll college; is affiliated with the Montana Conference of Social Work and with the American academy of political science, a national organization. Dr. O'Connor is chairman of the council.

*Mrs. Eva Stoutenburg*—appointed May 2, 1941, for a one-year term and reappointed May 2, 1942, for a two-year term. Mrs. Stoutenburg is a registered nurse, with special postgraduate work in orthopedic and physical therapy; has been president of Missoula county crippled children's group, president of Missoula-Mineral Counties' Federation of Women's clubs (composed of 10 clubs), and chairman of public welfare department of Missoula Women's club.

*James V. Bennett*—appointed May 2, 1941, for a two-year term. Mr. Bennett, who has done some work for the Montana trade commission, has a statewide acquaintance. He is a farm operator, managing about six thousand acres in northeastern Montana. He has developed some five townsites along the line of the Great Northern extension from Scobey to Opheim. Mr. Bennett is the only representative of the public who might be considered as representing the uncovered groups. The commission felt that it would be wise to have such groups represented on the advisory council, for the reason that extensions of coverage may sometime become one of the subjects under discussion.

*W. A. Boyle*—appointed May 2, 1941, for a one-year term and reappointed May 2, 1942, for a two-year term. Mr. Boyle is president

of the United Mine Workers, district No. 27, covering the state of Montana. He is a former president of the Klein local, and is vice president for the state organization.

*Bruce I. Steinmetz*—appointed May 2, 1941, for a two-year term. Mr. Steinmetz is president of the Cascade Trades and Labor council. He also is a member of the Motion Picture Operators' union, and has been actively affiliated in union organization work for the past two decades. He is affiliated with the American Federation of Labor.

*John F. M. Travis*—appointed May 2, 1941, for a one-year term and reappointed May 2, 1942, for a two-year term. Mr. Travis is the general manager of United Publishers, Inc., publisher of the Havre Daily News and the Hill County Sunday Journal. He is a resident of northern Montana at Havre. He has been placed on the council rather as a representative of the smaller employers in the state. He is one of the leaders in the state Printers-Employers' association.

*Robert D. Corette*—appointed May 2, 1941, for a two-year term. Mr. Corette is an attorney for the Anaconda Copper Mining company, a concern employing more individuals than any other in Montana. He is a member of the firm of Corette & Corette, which also is retained by the Montana Power company, the Northern Pacific Railroad company, the Union Pacific Railroad company, Metals Bank & Trust company of Butte, Philipsburg Mining company of Philipsburg, Large Lumber company; and Montana Service corporation. He also represents other employers. He is the sole owner of the Forsyth Laundry and Dry Cleaners, Forsyth, Montana. Mr. Corette was selected as a representative of the large employers in the state.

Members of the council serve without salary, being reimbursed only for travel expenses and allowed per diem of \$10 per day for time spent at meetings of the council.

The commission gratefully acknowledges the unselfish interest and attention which this council has given to the problems of administration of the Montana unemployment compensation law. Among the matters to which the council has given special study has been the subject of experience rating for employers. Not only have members of the council given serious thought to the subject in several of their meetings, but the members individually have also studied the question extensively.

Members of the commission who have attended meetings with the council have been impressed with the manner in which the council has approached the subject of experience rating. In all such meetings, it has been apparent that in consideration of the problem, the welfare of the state as a whole was given first importance, rather than the effect upon individual groups represented. The commission respectfully refers to the considered opinions of the members of the council concerning the subject, as expressed elsewhere in this report.



After more than a year of discussion with the public spirited members of the Advisory Council, the commission submitted the accompanying report to the members with the request that they approve or disapprove, stating their differences, if they desired, in full.

Six members have approved the report. They are:

Rev. J. J. O'Connor, John F. M. Travis, Mrs. Eva Stoutenburg, Bruce I. Steinmetz, James V. Bennett and W. A. Boyle.

Comments of members of the council follow:

"I believe it will be wise to continue unemployment compensation, including tax collections, approximately as at present. I think the reserve fund should be increased to take care of contingencies likely to follow the war. With this in mind, I endorse the report."

—James V. Bennett  
December 7, 1942.

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"The report meets my approval."

—Bruce I. Steinmetz  
December 7, 1942.

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"After careful and serious consideration of the report of the commission to be submitted to the Governor and Legislature with reference to experience rating and other proposed legislative changes, I herewith agree with report in its entirety."

—W. A. Boyle  
December 8, 1942.

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"I have come to the conclusion that we are not ready for so-called 'Merit Rating' in Montana. I have arrived at this from various angles. In the first instance, it would appear I should be for it, due to the fact that my own industry shows a higher percentage paid in than taken out, but therein lies the weakness.

"In the first place, the Publishing and Printing Industry relies solely upon the business firms and general public for support both in advertising and circulation revenue. It would be difficult to show cause to those doing business under a higher percent rating than ourselves.

"It might even appear that Merit Rating is almost class legislation.

"I also feel that we must do all in our power to keep the Unemployment Commission under State control and not have it under Federal. It would be most difficult to straighten out problems for us if we had to go to Washington, and, further, I feel certain the State would lost its identity by being engulfed in a great pool.

"Merit Rating might bring about jealousies and misunderstandings that would only lead to a further problem and perhaps encourage Federal control.

"Another big factor we must keep in mind is our men and women in the armed forces. We must keep a healthy condition in our reserve to protect their interests when they go back to civilian life. The only sure way is to keep it State controlled.

"I do not wish to be lengthy in this, but from a wider and future viewpoint, our present system is fairer from a social and economic standpoint.

"I would like to point out at this time that I feel a closer consideration should be given to the load the employer can stand. The employer gets no personal direct benefit from the law at present. I should think that

some thought should be given whereby the employee stands on his own feet. In other words, the employee benefits solely from the present program; then why shouldn't he stand the cost? He pays insurance premiums—life, health and accident. The Unemployment Compensation is for his benefit.

"Paying the 2.7 on unemployment has worked great hardships on many enterprises, but as long as the law is as it is, I feel it is distributed fairly on a percent basis.

"Therefore, I do not feel that Merit Rating is the answer to our problem."

—John F. M. Travis  
December 8, 1942.

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Mr. Robert D. Corette, one of the two members representing employers, was unable to attend the last two meetings of the State Advisory Council. These meetings were devoted largely to a discussion of experience or merit rating. He, therefore, did not vote.

# Other Legislative Recommendations

*Recommendations of Social Security Board*

## OTHER LEGISLATIVE RECOMMENDATIONS

The Commission has a few additional changes in the unemployment compensation law to recommend to the Legislature. A number of minor changes will be suggested in order to make administration more equitable.

Certain recommendations will be made for amendments which will assist the Commission in the collection of contributions.

An amendment will be asked to limit the waiting weeks which a claimant must serve to two within his base period, with the provision that in the event of a mass separation involving 100 or more workers only one waiting week will be required. The purpose of a two-week waiting period is to avoid the possibility of promoting vacations at the expense of the unemployment compensation fund, but this reason for the two-week waiting period would not apply where a large employer closes his plant.

The Social Security Board has made recommendations for changes in the law. It should be understood this commission does not endorse many of these proposals. We will be pleased to discuss them upon request of the proper legislative committee.

These recommendations follow:

### Amendments Proposed to the Montana Unemployment Compensation Law by the Social Security Board

#### "Coverage"

##### "Employer Coverage"

"The present law provides coverage of one or more in 20 weeks, or of employers whose payroll is \$500 in a calendar year. If coverage were extended to employers of one or more at any time. It is estimated that the number of workers covered by the law would be increased by only 3 per cent. The State may wish to consider broadening coverage to include these individuals. Coverage of one or more at any time would, of course, be similar to coverage under the federal insurance contribution act for old-age and survivors insurance. The advantages of such a coverage provision are (1) there is no necessity for a continuous coverage provision and (2) the simplicity of determining coverage. Under such a provision there is no necessity to find a specified amount of employment related to the number of employees on particular days of a specified number of weeks.

##### "Services Covered"

"Administrative considerations influenced employment coverage in the federal act. Agricultural labor, for instance, was not excluded from coverage by the act because it is less susceptible to the risk of unemployment, but largely because of the additional administrative problems its inclusion would have placed upon a new system faced with the administrative problems which are inherent in any new organization. A large number of administrative problems which faced the state agencies in the early days of the unemployment compensation system have been solved. The reason for which various services were excluded in the early stage of the development of the system, therefore, do not appear valid at this time. It would seem logical that consideration be given to including those services which have been excluded largely because of administrative considerations. As about 32 per cent of the employed labor force of Montana is engaged in agricultural labor, it

would seem desirable that the agency consider extending the coverage of the law to those individuals who work on large-scale farms. This could be accomplished by excluding only agricultural labor employed on tenant or owner-operated farms employing less than a specified number of workers.

### **"Benefit Formula"**

"Montana has paid benefits amounting to \$7,600,000 from July, 1939, through June, 1942. These benefit payments represent 88 per cent of the contributions collected during the same period. Benefit payments in Montana for the fiscal year July 1, 1941, through June, 1942, amounted to 28 per cent of contributions as compared to 34 per cent for the United States as a whole.

"The balance in the Montana fund as of December 31, 1941, was \$6,000,000. This balance is approximately 1.9 times the amount paid out in the year of highest benefit payments, twice the contributions collected in the year of highest collections. By June 30, 1942, the balance available for benefits had risen to \$6,500,000.

"Since the reserve in the Montana unemployment compensation fund is none too large, it would appear that Montana cannot liberalize its benefit formula to any great extent. Two suggestions for liberalization might be considered: (1) simplification and liberalization of the waiting period provision; (2) inclusion of a provision for the payment of benefits for partial unemployment.

### **"Waiting Period"**

"Under the present law a claimant is required to serve 4 weeks of waiting period within the benefit year if 13 or more weeks of employment intervene between spells of unemployment. Has this provision presented difficulties in administration? What proportion of claimants have had to serve two waiting periods under the provision? Such a provision appears to be inequitable in that an individual with exactly the same weekly benefit amount, the same potential duration for benefits, and the same number of weeks of unemployment within a benefit year as a second individual can receive two weeks less payment just because 13 weeks of employment occurred between his periods of unemployment. If the purpose of the unemployment compensation system is to compensate individuals for loss of income through lack of work, it would seem that the incidence of the unemployment should have no effect upon the payment of benefits.

"A waiting period of two weeks was recommended in the early days of the unemployment compensation system because it was felt that it would probably require a two-week period to process a claim. Experience under the system has proven that such a long period is not required. Twenty-three states have accordingly reduced the waiting period to one week. Such a reduction in waiting period unquestionably enhances the effectiveness of the unemployment compensation program in alleviating the burden of unemployment. It would also seem that a one-week waiting period would be simpler to administer than the present multiple week provision.

### **"Partial Unemployment"**

"Montana is one of the two states which do not compensate partial unemployment. It is a recognized fact that during the course of a year workers may suffer as great or greater loss from reduced hours of work as from weeks of total unemployment. Under an unemployment compensation system which provides benefits for total unemployment only, under-employed workers may be in a worse situation financially than they would be if they were totally unemployed and eligible for benefits.



"As for the argument that a system of payment of benefits for partial unemployment would subsidize the low wage employers, it should be pointed out that the weekly benefit amount of a partially unemployed individual is determined exactly as is that of one who is totally unemployed. Furthermore, benefit payments will be made to individuals only for weeks with respect to which they have been employed for less than full-time hours for the week and have earned wages which are less than their weekly amount. A decrease in weekly earnings alone would not be sufficient to qualify them for benefit payments. Such decrease in earnings must be accompanied by substantial decrease in hours worked.

"As for the administrative difficulties and costs, 48 of the 51 jurisdictions have included payments for partial unemployment and have not found the administrative difficulties insurmountable. New York has recently amended its law so that partial unemployment will be compensated. As to cost, a study of selected states indicated that benefits for partial unemployment represented 4 per cent of all unemployment compensation payments in 1939 and 6 per cent in 1940. In states whose industrial structure is comparable to that of Montana the ratios of partial benefit payments to all benefit payments were approximately the same as those mentioned above. It appears that partial benefit payments would not increase the state's unemployment compensation cost greatly and would undoubtedly make the program more adequate and provide greater security for individual workers.

### **"Qualifying Wage Requirement"**

"The present qualifying wage provision in relation with paragraph 3 of Regulation 12, Initial Determination, appears to qualify any individual who has earned \$150 regardless of what 4 per cent of the individual's high quarter earnings may be. The purpose of a qualifying wage requirement is to admit to participation in the benefits of the system only those individuals who are genuinely attached to the labor market. It should exclude from benefits those individuals who have not had a sufficient amount of covered employment in the base period to demonstrate such attachment. Since the unemployment compensation program is not designed to meet the whole problem of unemployment, but was planned with the particular objective of tiding over normally employed individuals from one job to another, individuals whose covered employment was very casual or of very short duration should not be included. Does the present application of the qualifying wage provision and Regulation 12 fulfill the purpose of a qualifying wage? It would seem that the present arrangement could qualify a number of individuals whose attachment to the labor market would be questionable.

"Qualifying all individuals who have earned \$150 in the base period would appear to be a great drain on the fund since each individual would be eligible for a duration of 16 weeks if they remained unemployed. With uniform duration a qualifying wage provision which eliminates individuals who have not had covered employment in the base period for one entire quarter and a part of another is necessary to prevent undue drain on the fund.

### **"Disqualifications"**

"It is noted that once a disqualification period has been assessed, the period runs regardless of the employment status of the claimant concerned. If the claimant who has been disqualified becomes reemployed during the period of the disqualification to the extent that throughout a week he does not meet the statutory test of 'unemployment,' it seems logical that the disqualification should be removed. The removal of the disqualification by employment will make it unnecessary for the agency to investigate all

separations which the individual may have had prior to the claim within a period equal to the maximum disqualification period. The agency will be interested in only the circumstances surrounding the claimant's separation from his last job.

### **"Voluntary Leaving"**

"It is suggested that the agency consider the desirability of including among others the same factors used in determining whether or not work is 'suitable' work, in determining 'good cause' for voluntary leaving. An individual should not be disqualified for leaving a job voluntarily when the conditions surrounding it are such that the person would not have been referred to the job by the employment office would not have been disqualified for refusing such a job were it to be offered.

### **"Refusal to Return to Self-Employment"**

"What has been the experience of the agency under this provision? Has it been feasible for the commission to determine whether or not a claimant should again take up some former self-employment? It would seem that in these instances in which the claimant has some self-employment but is unemployed his eligibility could be determined on the basis of whether or not he is 'available for work.'

### **"Suspension for Misconduct"**

"Experience under the unemployment compensation laws has revealed the need for a provision which will disqualify an individual who is merely suspended rather than discharged for misconduct. Without a specific provision, a claimant might be able to draw benefits during periods in which he had brought about his temporary unemployment by his deliberate behavior. While the length of the suspension period should influence the length of the period of disqualification, it seems advisable to limit the duration of the disqualification similarly to the disqualification for discharge due to misconduct. This will preclude the possibility of imposing a longer disqualification for a suspension than for a discharge.

### **"Claims for Benefits"**

"Considerable thought has been given to the appeal section of the unemployment compensation law by the bureau staff. It seems advisable to allow a reconsideration of an initial determination for good cause either on the motion of the commission or on the application of any one of the interested parties. This type of reconsideration should be allowable only within the period within which an appeal may be filed and only then when the commission has not lost jurisdiction by the filing of an appeal by one of the interested parties.

"There are types of situations in which it would seem desirable to allow a longer period of time within which the commission may reconsider a determination than is allowed for reconsideration for good cause. Such situations are: (1) the finding that an error in computation or identity has occurred in connection with the determination; (2) wages of the claimant pertinent to the determination but not considered in connection therewith, have been newly discovered, or (3) benefits have been allowed or denied or the amount of benefits has been fixed on the basis of nondisclosure or the misrepresentation of fact. In the case of the first two situations it would seem desirable to allow the commission to reconsider the determination within a one-year period. In recognition of the fact that frequently considerable time may elapse before the commission becomes aware of the fact that there has been nondisclosure or misrepresentation, it would seem advis-

able to allow the commission to reconsider the determination under such circumstances within a two-year period. In the types of situations discussed in this paragraph the decision as to whether or not such administrative action will be taken should be entirely within the discretion of the commission and a refusal to act is final without the right of appeal therefrom.

### **“Reciprocal Arrangement”**

“A number of states have found it desirable to incorporate a broader reciprocal arrangement provision than that now contained in the Montana act so that a variety of interstate arrangements can be included. Such a provision would consolidate the services of multi-state workers and would clearly apply to services performed in states which have entered into reciprocal coverage arrangements, irrespective of whether or not all of the individual's services are performed in such states. The agency might wish to consider expanding the reciprocal arrangements provision in a manner similar to the provision contained in E. S. memorandum No. 13.

### **“Preservation of Records”**

“It is noted that the law contains no provision for preservation or destruction of records. It is the preservation or destruction of records controlled by a statute relating to all state records so that such authority is not necessary in the law? Would a provision which would designate a minimum period for the preservation of all records and would allow the destruction of such records after such time be useful in the administration of the law? Such a provision will be found in Section 11 of Employment Security Memorandum 13.

### **“Change From ‘Wages Payable’ to ‘Wages Paid’ ”**

“The agency will probably wish to amend those sections of the law which were not amended in 1941 to indicate the change from ‘wages payable’ to a ‘wages paid’ basis. For a discussion of these problems arising out of House Bill 173 amending the Unemployment Compensation Law and suggestions for their correction, we refer you to our memorandum of April 28, 1941.

“WILLIAM H. WANDEL, Chief  
Unemployment Compensation Division  
Bureau of Employment Security.”

# SIXTH ANNUAL REPORT

*Unemployment Compensation Commission  
of Montana*





## PURPOSES OF LAW

This commission is charged with the responsibility of administering an important law of the state. Legislative direction and a proper recognition of its obligation to the people of Montana require that it shall render an annual accounting of its administration. Such an accounting should include not only a report of public moneys received and expended, but also a report of the extent to which the primary purpose of the law is being accomplished.

A proper appraisal of the operations of the commission can be made only in the light of a full understanding of the purposes for which it was created. It would appear that the "Declaration of State Policy," expressed in the law, is a proper standard by which to measure the commission's operations, and we feel that a re-statement of this policy is pertinent at the beginning of this report:

### "Chapter 137.

#### "Declaration of State Public Policy

"Section 2. As a guide to the interpretation and application of this act, the public policy of this state is declared to be as follows: Economic insecurity due to unemployment is a serious menace to the health, morals, and welfare of the people of this state. Involuntary unemployment is therefore a subject of general interest and concern which requires appropriate action by the legislature to prevent its spread and to lighten its burden which now so often falls with crushing force upon the unemployed worker and his family. The achievement of social security requires protection against this greatest hazard of our economic life. This can be provided by encouraging employers to provide more stable employment and by the systematic accumulation of funds during periods of employment to provide benefits during periods of unemployment, thus maintaining purchasing power and limiting the serious social consequences of poor relief assistance. The legislature, therefore, declares that in its considered judgment the public good, and the general welfare of the citizens of this state require the enactment of this measure under the police powers of the state for the compulsory setting aside of unemployment reserves to be used for the benefit of persons unemployed through no fault of their own."

The "Declaration of State Public Policy," written in 1937, terms "unemployment" as the "greatest hazard of our economic life." Since this was written, a great many unforeseen changes have taken place and for the moment, unemployment has ceased to be the prime threat against our public welfare. Unemployment as the number one enemy of our way of living has been superseded by foreign enemies which threaten not only our way of living, but our national existence. The effort necessary to defeat our foreign enemies has reduced unemployment to almost a minimum. However, we cannot assume that conditions are to remain indefinitely as they are.

It is well to recall that the "Declaration of State Public Policy" was enunciated after eight years of trying experience, uninterrupted by the terrific upheavals of war. It is more than probable that at the conclusion of the present world war, the same factors, possibly intensified, that caused previous unemployment will continue to be, and we will be faced again with this threat against our economic life. It

seems reasonable to assume, therefore, that in years to come, after victory finally has been won, the "Declaration of State Public Policy" again will apply to the conditions in which we find ourselves and should, therefore, even during these trying times, be considered as a competent guide to our present and future planning.

### **Job Insurance Is Intricate Business**

The broad plan of operation of the unemployment compensation program, as outlined in the Montana unemployment compensation law, was comparatively simple; i. e., first, to find jobs for unemployed workers, and where this was not possible, to provide a substitute in the form of job insurance. However, the actual operation of this plan is, of itself, a very intricate process involving many problems and an administrative program of great detail.

In order to accomplish the program outlined, the state law provided for a state employment service which would register unemployed workers and would use all its powers through its connection with interlocking state employment services to place unemployed workers in suitable employment. As an alternative recourse, in the event that jobs could not be found for these workers, they were to be paid benefits through a system of job insurance. Briefly, this system provided for insurance benefits to able and involuntarily unemployed workers, ranging from \$5 to \$15 per week (depending upon the earnings of the workers in covered employment), for a period not to exceed 16 weeks.

### **Employment Service Federalized**

In the face of a serious need for the mobilization of workers in essential industries, the President of the United States deemed it advisable to take over the employment service of the various states and to reorganize them under one federal agency. Therefore, Governor Sam C. Ford acceded to the request of the President and the Montana state employment service was transferred to the federal government January 1, 1942. The release of the Montana state employment service to the federal government was accompanied by a request that the employment service be returned to the state at the conclusion of the war emergency. Such request was made with the idea that at the conclusion of the war, the state of Montana could pursue its program of employment security according to its previously established plans.

Under the program as it has operated since January 1, the responsibility of finding employment for unemployed workers has been that of the United States employment service. In addition to this work, the various local offices of the United States employment service have continued to take claims for benefits from unemployed workers on behalf of the Montana unemployment compensation commission. Also, the informational and statistical sections of the commission, which were transferred to the United States employment service at the special request of the social security board, continued to serve the commission. Such a situation was not all that could have been wished for, due to the fact that there was a definite division of responsibility, and although this commission is charged with the responsibility of paying

benefits to eligible, unemployed workers, it had no direct administrative control of the people who took the claims for the commission.

In November, 1942, arrangements were made to transfer to the commission certain claims-taking personnel in the United States employment service offices at Billings, Butte, Great Falls, and Missoula.

### **Questions Necessity for Federalization**

When the President ordered the federalization of the employment service, in his telegram to Governor Ford he said: "... It is essential that all of the separate employment services become a uniformly and, of necessity, a nationally operated employment service."

In his reply to the President, Governor Ford said: "After most serious consideration am convinced it will be a tremendous mistake to federalize employment service and will, in my judgment, be injurious to the prosecution of the war."

This commission has agreed all along with Governor Ford's statement.

In an address before the sixth annual meeting of the Interstate Conference of Employment Security Agencies at Kansas City, Missouri, October 20, 1942, Mr. Arthur J. Altmeyer, chairman of the social security board, said:

"It is my understanding that state administrators are not inclined to question the necessity for federal operation of the United States employment service during the wartime emergency. I believe it is generally recognized that we must depend upon the United States employment service to carry out national policies designed to effectuate the maximum utilization of the manpower of this nation."

Contrary to Mr. Altmeyer's statement, the Montana unemployment compensation commission does question the necessity of federal operation of the employment service. It is the conviction of the commission that, prior to the time it was transferred to the federal government, the Montana state employment service was doing a good job. It is doing a good job now, but the commission feels that it could have accomplished, under state administration, the same results with as much speed and efficiency, or with more speed and efficiency than it is accomplishing under federal control.

### **Montana Contributed to War Program**

Before the service was federalized in Montana, it had cooperated to the utmost with the federal agencies. It had combed the state for needed workers for defense industries, and without hesitation it had directed many of Montana's best workers to other states for the sake of the war effort. At the expense of its own industries, the state patriotically contributed generously of its manpower to the war program.

State administrators and their staffs, although on the state pay roll, are just as patriotic and just as anxious to push this war to a quick and certain victory as are the administrators on any other pay roll.

It is not the intention of the commission to attempt to pass judgment on any federal agency. However, repeated reports from Wash-

ington, D. C., indicate the existence there of vast confusion and inefficiency due, in a large part, to the hasty creation and mushroom growth of boards, commissions, and bureaus. This confusion and waste seem to be an unfortunate result of the centralization of tremendously increased administrative responsibilities and details.

In the January, 1943, American magazine, Senator Harry F. Byrd, chairman of the joint committee on reduction of nonessential federal expenditures, declares:

"While the United States government is crying for more manpower for the war effort and planning eventually to draft millions of men, women, and high school students for essential labor, the government itself is giving the most shocking exhibition of wanton waste of manpower that has ever been seen in this nation.

". . . Basing the estimate upon statements from the workers, themselves, it is not too much to say that if one-third of the federal employees were dismissed, the war effort would proceed at a faster pace. Some observers estimate that of the nearly 300,000 government employees in Washington, fully one-third are loafing or working on nonessential jobs. In most instances this is not their fault, but the fault of the bureau heads and the system. . . ."

### **States Could Have Done Good Job**

The commission feels that the war work is being definitely hampered, in many instances, by the tremendous centralization in unwieldy boards and bureaus. It feels that there is much merit in having an efficient decentralized administration which has an intimate knowledge of local conditions and of local people. It feels further that in mobilizing necessary civilian manpower for the war, the United States employment service has accomplished, under federal control, no more than could have been done through the various state employment services, and that the coordinating of the operations of the various state employment services through a central federal office would not have presented any insuperable obstacles but, on the other hand, would have offered an opportunity of more efficient administration at a reduced cost.

Under state operation of the employment service, the social security board exercised minute control and direction over the service. By act of congress, the board held the compelling authority to withhold administrative funds from those states which failed to operate an employment service according to standards promulgated by the board.

If any state was not doing a good employment service job prior to the federalization of the service, we submit that under the plan of operation, such failure was just as much a responsibility of the board as it was of the state.

### **Commission Has Two Specific Duties**

As presently constituted, the Montana unemployment compensation commission has two definite duties to perform: (1) the collection of unemployment compensation contributions from covered employers and the proper disposition of the funds thus received; (2) payment of benefits to workers who are eligible according to the provisions of



the Montana unemployment compensation law. (The function of finding jobs for unemployed workers has been transferred to the federal agency).

The commission charged with the administration of the unemployment compensation law is composed of three members: Barclay Craighead, chairman, appointed April 15, 1937; George R. Shepard, appointed May 16, 1937, for a six-year term; Louis G. DeNayer, appointed for three years in 1937 and reappointed for a six-year term May 6, 1940. The chairman devotes his full time to the position and receives an annual salary of \$5,200. The other commissioners serve part time and are paid at the rate of \$10 per diem, with a maximum of \$500 each year.

### Administrative Organization

By law, the commission was directed to establish the necessary organization for the administration of the act. The organization as presently constituted consists of the following:

1. A *director*, who handles the administrative details of the commission.

2. A *legal section*, which represents the commission in cases arising under the unemployment compensation law in connection with the collection of contributions and the payment of benefits. The legal section is directed by a full-time attorney, who is assistant attorney general. He advises the commission on matters pertaining to the law, and much of his time is spent with legal matters connected with the collection of delinquent accounts.

3. An *appeals tribunal*, who hears appeals on cases arising out of disputed decisions of claims deputies in connection with benefit determinations. The appeals referee is also chief field advisor, in charge of the field section.

4. A *field section*, composed of a staff of seven field advisors, to whom are assigned various sections of the state and who call on employers to explain the provisions of the law, assist in determining the status of employers relative to their coverage under the law, collect delinquent accounts, and make investigations of claimants' applications.

5. A *claims and benefits section*, which processes claims for benefits reaching the central office by way of the United States employment service offices in Montana cities, from United States employment service offices in other states, or from certain claimants in Montana by mail. The claims and benefits section is made up of the following units:

- a. A *determinations unit*, which inspects claims received and, on the basis of all available information, determines whether or not they are eligible and to what benefits the claimants are entitled, if any.

- b. A *ledger posting unit*, which maintains the records of claimants' applications and payments to claimants and the files of information concerning the eligibility of the claimants.

- c. A *check writing unit*, which prepares the benefit payments for claimants certified as being eligible.



6. A *receiving and wage records section*, which is under the supervision of an accountant (cashier) who takes possession of, accounts for, and banks all remittances received by the commission. This section, a catch-all for such services as cannot be classified properly under any other single section, includes the following units:

a. A *mail service*, which receives all incoming mail and directs it into the proper channels, collects and posts all outgoing mail from the various sections, and opens such mail as directed by the head of the section.

b. A *supply service*, which receives, stores, issues, and replenishes dwindling stock of all office supplies necessary to the conduct of the affairs of the commission. (The mail and supply services, while separate in function, are conducted by the same personnel).

c. A *wage records unit*, which files the wage records of workers as they are received from reporting employers. Upon receipt of claims for benefits, the wage records unit delivers from its files the wage records of the respective claimants to the determinations unit of the claims and benefits section.

7. A *status section*, which maintains files of covered employers, obtains information as to the liability of the various employers under the law, keeping on the alert to obtain names and addresses of new employers and to determine their status, and maintains records of changes of ownership and liability, as these changes occur.

8. An *accounting section*, which keeps the accounts for the commission and some accounts for the United States employment service which are handled through the unemployment compensation commission. The funds which the accounting section accounts for are the unemployment compensation trust fund, which is divided into three sections—a clearing account, an unemployment trust fund account, and a benefit account—and the administrative fund.

### **The Administrative Fund**

All funds to defray administrative costs of the commission are provided by the federal government. Twice each year, the commission submits a budget request for funds considered necessary to defray the expenses for the ensuing six months. These budget requests are submitted to the social security board at Washington, D. C., through the regional office in Denver, Colorado. The requests are thoroughly examined and reviewed, and allotments are made by the social security board for the funds considered necessary.

For the biennium ending June 30, 1943, the last session of the state legislature appropriated \$26,042.52 to match federal funds under the Wagner-Peyser act for the establishment and maintenance of an employment service. Only a small portion of these funds was used prior to the federalization of the employment service in January 1, 1942.

In addition to the funds provided by state appropriation, various counties in the state cooperated in the maintenance of employment offices by furnishing office space and equipment, by providing personnel,

or by contributing money to the unemployment compensation commission to defray some of the expenses of their offices. Therefore, in addition to the legislative appropriation, the commission has to its credit considerable other funds contributed by the counties in payment of services previously rendered by the commission. No county funds have been accepted for this purpose since the federalization of the employment service, at which time the federal government assumed the entire cost of the employment service.

### **No New Appropriation Needed**

At present, the commission requires no state or county funds for administration purposes and is not requesting any new appropriation for the next biennium. However, it is the expectation of the commission that at the conclusion of the war, the employment service will be returned to the state and will be operated again under the provisions of the Wagner-Peyser act. In such an event the state undoubtedly will be required to match federal funds for the operation of the service. Without some provision being made for this eventuality, the state would be severely handicapped in conducting its employment security program during a very trying time. In the case of a sudden cessation of the war and in the absence of suitable legislative provisions, no funds would be available for the purpose of matching federal funds in the operation of the employment service.

Without asking for additional funds, the commission respectfully recommends that the unexpended balances of county and state funds now to the credit of the commission in the state treasury be appropriated to the commission for use as required. The commission feels that this request is fairly made, especially in view of the fact that some of the funds now credited to the commission in the state treasury have been contributed by the counties and rightfully should not become a part of the state general fund. If the legislature sees fit to accede to this request, any expenditures from these funds would necessarily be made with the customary sanction and approval of the state board of examiners.

### **Unemployment Compensation Trust Fund**

The unemployment compensation trust fund is composed of employer contributions and interest on delinquent accounts, plus interest derived from investment of the trust fund. None of this money is used for administrative purposes; it all is reserved for use in the payment of benefits.

When contributions and penalties are received by the commission, they are deposited in a clearing account to the credit of the state treasurer. From time to time, the state treasurer forwards amounts from this fund to the secretary of the treasury of the United States, who invests the money in government securities. These deposits, plus the interest earned on them, remain in the custody of the secretary of the treasury until needed. As funds are needed to meet benefit payments, they are requisitioned from the secretary of the treasury and are deposited by the state treasurer in a benefit fund account, against which state warrants are drawn to meet benefit payments.

Charts and tables elsewhere in this report show the status of the various funds and a comparison between the collections and benefits for the first three years of benefit-paying experience. Collections of contributions were begun under the Montana law January 1, 1937. Prior to that time, the bureau of internal revenue had made some collections for the social security board for 1936, and the sum of \$650,-697.20 was turned over to the Montana fund from this source.

Benefit payments were begun July 1, 1939, and within the year after that, benefit payments exceeded contributions and interest by \$257,726.81. The following year, beginning July 1, 1940, income through contributions and interest exceeded benefit payments by \$10,-326.51. The third year, total income exceeded benefit payments by \$1,540,740.80.

## REPORT OF ADMINISTRATIVE EXPENDITURES

**For the first half of the third fiscal year (July 1, 1941 to Dec. 31, 1941)**

Category of expenditures	Total expenditures by category
Personal Services .....	\$124,676.82
Supplies .....	7,566.74
Communications expense .....	4,600.91
Travel .....	11,808.62
Rent of premises .....	7,338.55
Other current expenses .....	3,963.35
Equipment .....	1,319.49

Total .....\$161,274.48\*

\*Commission's share of Joint Merit System costs included in above, \$4,175.71.

**For the second half of the third fiscal year (Jan. 1, 1942, to June 30, 1942)**

Category of expenditures	Total expenditures by category	Unemployment compensation commission	U. S. employment service
Personal Services .....	\$60,103.14	\$60,103.14	\$
Supplies .....	9,363.74	5,493.44	3,870.30
Telephone .....	3,070.17	648.66	2,421.51
Telegraph .....	188.83	188.83	
Postage (special delivery and reg) ..	102.30	102.30	
Travel .....	4,728.41	4,728.41	
Transportation of things .....	174.00	88.80	85.20
Printing and binding .....	288.29	288.29	
Heat, light and water .....	1,113.01	422.66	690.35
Advertising .....	267.72		267.72
Rent of premises .....	6,819.18	2,640.00	4,179.18
Rent of equipment .....	1,044.00		1,044.00
Repairs and alterations .....	462.57	258.08	204.49
Miscellaneous .....	833.46	823.21	10.25
Equipment .....	1,224.31	670.75	553.56

Totals .....\$89,783.13\*      \$76,456.57\*      \$13,326.56

\* Commission's share of Joint Merit System costs included in above, \$1,823.62.

January 1, 1942, (the beginning of the second half of the fiscal year) administration of the employment service was taken over by the federal government. During the first half of the fiscal year all administrative costs of the employment service were charged to the administrative fund of the Montana unemployment compensation commission. During the second half of the fiscal year, \$13,326.56 of the cost of administering the employment service was charged to the administrative fund of the commission under the categories shown above.

# FINANCIAL STATEMENT

July 1, 1939 to June 30, 1942

The following statement shows the status of the unemployment compensation trust fund for the three fiscal years since benefit payments commenced. Appropriate deductions for transfers to the railroad retirement board were completed during the fiscal year July 1, 1940 to June 30, 1941:

Balance shown July 1, 1939 .....	\$6,188,456.18	
Less R. R. share transferred .....	1,037,108.33	
Net balance in Montana fund .....		\$5,151,347.85
Contributions and penalties collected .....	2,694,541.62	
Less R. R. contributions .....	123,643.42	
Montana fund contributions and penalties .....		\$2,569,898.20
Interest received on fund .....	153,026.53	
Less interest on R. R. share .....	25,352.31	
Interest on Montana fund .....		127,674.22
Total income .....		2,697,572.42
		7,848,920.27
Gross benefit payments .....	2,956,594.23	
Less refunds .....	1,295.00	
Net benefit payments .....		2,955,299.23
Balance in fund June 30, 1940 .....		4,893,621.04
Balance shown July 1, 1940 .....		4,893,621.04
Contributions and penalties collected .....	2,840,801.03	
Interest received on fund .....	136,866.35	
Total income .....		2,977,667.38
		7,871,288.42
Gross benefit payments .....	2,972,226.70	
Less refunds .....	4,885.83	
Net benefit payments .....		2,967,340.87
Balance in fund, June 30, 1941 ....		4,903,947.55
Balance shown July 1, 1941 .....		4,903,947.55
Contributions and penalties collected .....	3,079,150.08	
Interest received on fund .....	133,472.22	
Total income .....		3,212,624.30
		8,116,571.85
Gross benefit payments .....	1,676,791.00	
Less refunds .....	\$3,725.50	
Less outstanding checks in suspense ....	1,182.00	
	4,907.50	
Net benefit payments .....		1,671,883.50
Balance in fund June 30, 1942 .....		\$6,444,688.35

## RATIO OF NET BENEFITS PAID\* TO TOTAL INCOME RECEIVED†

Second fiscal year of benefit payments, (July 1, 1940, to June 30, 1941)

	First half	Second half	Entire year
Net benefits paid .....	\$ 956,843	\$2,010,506	\$2,967,340
Total income received .....	1,471,354	1,506,314	2,977,668
Ratio of benefits to income .....	65%	133.4%	99.6%

Third fiscal year of benefit payments (July 1, 1941 to June 30, 1942)

	First half	Second half	Entire year
Net benefits paid .....	\$ 540,064	\$1,131,820	\$1,671,884
Total income received .....	1,581,862	1,630,762	3,212,624
Ratio of benefits to income .....	34.1%	69.4%	52%

\*Gross benefits minus refunds and outstanding benefit checks in suspension.

†Contributions and penalties plus interest on fund.

### EXPLANATION:

The above table indicates that while income is relatively constant during the two halves of a fiscal year, benefit payments during the second half which includes the winter quarter are more than doubled.

Comparison of benefit payments for the second and third fiscal years of benefit payment indicates a sizeable reduction due largely, in the opinion of this commission, to decrease in population through induction into the armed forces and out-migration of workers to centers of defense production.

## SUPPLEMENTARY TABLE

Fourth fiscal year of benefit payments (July 1, 1942, to June 30, 1943)

First Quarter (July, Aug., Sept., 1942)

Net benefits paid .....	\$ 72,774
Total income received .....	\$47,093
Ratio of benefits to income.....	8.6%

### EXPLANATION:

The supplementary table indicates a greatly accelerated continuation of the trend of decreasing benefit payments into the current fiscal year.

Barring unforeseen and unpredictable situations, such as a sudden ending of the war, the trend indicates that benefit payments during the current fiscal year will be materially reduced from either of the two preceding years. However, bearing in mind the trend established in the two preceding years, it is probable that payments during the second half of the current year will be double or more than during the first half.

## Tax Reduced More Than 3%

The Montana unemployment compensation law was amended by the state legislature in 1941 requiring that the payment of contributions by employers subject to the act shall apply only to wages paid up to and including \$3,000 by an employer to an employee with respect to employment during any calendar year. This amendment was effective as of January 1, 1941.

Under this provision, when an employer had paid an individual employee \$3,000 in wages during a calendar year, then any further wages or remuneration received by the employee from that employer would be exempt from the pay roll tax.

During the first year of operation under this amendment, 628 employing units reported \$3,771,768 as exempt from contributions under this provision. This amounted to a tax reduction and a loss of contribu-



tions to the commission to the extent of \$101,837 for the first year of operation. This was, in effect, a tax reduction of more than 3% on the contributions received for that period.

Under the provisions of the Montana law as passed in 1937, the commission collected pay roll taxes from railroads. However, after the passage of the national railroad retirement act, funds which had been collected from the railroads to the benefit of the commission's reserves were transferred to the railroad retirement board. These funds amounted to \$1,186,104.06. This was a serious reduction in the commission's reserves, and had these railroad workers come under the Montana law during the past three years, the present reserve fund would have been much larger. During this time, employment on the railroads has been steady and the benefit payments for unemployment have been very low. Thus, the state has lost the benefits of a great deal of Montana employment, with a consequent adverse effect upon the fund.

## UNEMPLOYMENT COMPENSATION TRUST FUND

### Collections and Disbursements (as of June 30, 1942)

1936 Collected by bureau of internal revenue and credited to UCC .....		\$ 539,593.54*
1937 Total contributions .....	(1.8% rate)	1,826,535.22*
1938 Total contributions .....	(2.7% rate)	2,235,576.16*
1939 Total contributions .....	(2.7% rate)	2,460,439.75*
1940 Total contributions .....	(2.7% rate)	2,780,239.14
1941 Total contributions .....	(2.7% rate)	2,942,521.12
1942 Contributions to June 30, 1942. (Includes first quarter contributions only. Second quarter contributions not due until July). .....	(2.7% rate)	740,270.32
Total employer contributions to June 30, 1942 .....		\$13,525,175.25
Interest earned on unemployment compensation trust fund to June 30, 1942..		\$510,595.47
Penalties and interest on employer accounts .....	3,017.41	
Collections in suspense .....	423.82	
Outstanding check suspense account .....	1,182.00	515,218.70
Total receipts to June 30, 1942 .....		\$14,040,393.95
Benefits paid (July 1, 1939, to June 30, 1942) .....		7,595,705.60

### Amount available for payment of benefits

June 30, 1942 .....\$ 6,444,688.35

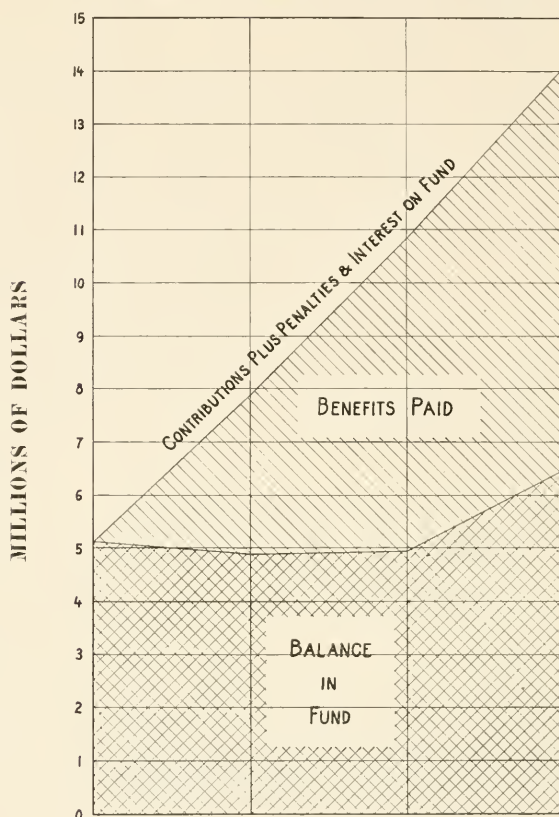
\* In previous annual reports, these totals have included amounts collected for, and later transferred to, the railroad retirement board. Amounts shown here are net totals credited to the unemployment compensation trust fund after appropriate deductions of funds transferred to the railroad retirement board.

## Tax Increases Opposed

Unemployment compensation is something that is comparatively new in the insurance business. Rates, premiums, and benefits in the types of insurance with which we have been most familiar are predicated upon years of actuarial experience by which risks can be reasonably well estimated. This kind of actuarial experience is not available in job insurance, and the commission understands only too well that three years of experience in this field are not sufficient to warrant many

## CHART NO. 1

Funds available for benefits showing amounts collected, benefits paid and balance in fund in millions of dollars.



definite conclusions. However, it believes that sound administration requires that in these times of great employment, substantial reserves should be set aside in anticipation of the day when unemployment again will be a major problem in our economic life.

During the past year, various proposals have been advanced for an increase in pay roll taxes. Under the federal insurance contribution act, taxes for old age and survivors' insurance benefits are scheduled to be increased from the present 1% collectible against both employer and employee, to 2% for employer and 2% for employee. Other proposals were made to increase pay roll taxes for unemployment compensation. This commission has opposed any increase in pay roll taxes, especially those which would apply to unemployment compensation. It was one of the first state unemployment compensation agencies in the United States actively to object to the increases proposed.

The attitude of the commission toward these tax increases has been approved by the Montana state advisory council of the Unemployment

Compensation Commission in the following resolution, adopted June 8, 1942:

"BE IT RESOLVED that it is the sense of the state advisory council of the Unemployment Compensation Commission of Montana that:

"Any increases in federal taxes to apply toward the present unemployment compensation program are at present unnecessary and inadvisable. It is our observation that Montana citizens, employers and employees alike, are extending themselves, many to the breaking point, to pay their share of the cost of the war and essential government activities. They are doing this willingly and cheerfully and will ungrudgingly participate to the limit in the defense of their rights and liberty. However, they feel that in such a time of national peril, only those taxes should be levied which are essential to the preservation of the nation;

"The vast majority of Montana employers, who now contribute all the funds from which benefit payments are derived, have not benefited from the increased industrial activity due to the war effort. On the contrary, the business of most Montana employers has suffered directly and indirectly from wartime regulations and loss of patronage due to an estimated loss of 10 per cent of the state's population to the armed forces and out-of-state war industries. Few Montana employers are able to make a profit at present, many have been forced out of business altogether, and most are operating with difficulty under reduced income;

"Montana has been set a very high per capita quota of war bonds. If our citizens are to make the bond purchases expected of them and are to pay the war taxes required of them, they should be spared all tax burdens which are not entirely essential to the national welfare;

"BE IT FURTHER RESOLVED that a copy of this resolution be forwarded to our representatives in Washington, to the chairman of the Social Security Board, and to the press.

"Dated at Helena, Montana, this 8th day of June, A. D. 1942."

### **Employment in Montana**

During the third year of benefit-paying experience, ending June 30, 1942, the commission's operations were greatly affected by the drastic changes which occurred in the employment situation. Although mobilization of industrial manpower in the interests of national defense had begun in 1940, it had little immediate effect upon Montana industries, except for the mining industry. No special defense projects were operating in Montana. Labor demand was approximately the same as in years previous and the supply was little changed, except for the loss of a number of able-bodied men who were mobilized in the national guard and who volunteered for service in the armed forces.

With the beginning of 1941, the Montana state employment service began to receive clearance orders for skilled workers for employment in other states. The entire state was canvassed for workers possessing certain skills and many of them were referred to industrial centers. Others followed in expectation of finding work themselves.

The labor supply was further reduced by the draft into military service. Withdrawals from the Montana labor force continued until it appeared that the harvest of 1941 might be hampered by lack of help. However, a serious labor shortage did not develop at that time. Out-migration of workers and drafts into military service, greatly accel-

erated by the declaration of war in December, reduced the available labor supply at a constantly increasing rate.

Reflecting the changed employment situation during the fiscal year beginning July 1, 1941, benefit payments week by week were materially lower than for each of the preceding two years, the divergence being greater as the year advanced. By June 30, 1942, weekly payments were less than half of those for each of the preceding two years. Thus, the amount of benefit payments was affected in two ways: (1) by reduced labor supply, and (2) by increased work opportunities, especially during the last half of the fiscal year.

Since June 30, 1942, the decline in benefit payments continued, so that in September, 1942, weekly benefit payments were approximately one-fifth of the payments for corresponding weeks of the previous year and one-tenth of the amount of benefits for the corresponding weeks of each of the two years before that.

Beginning with the summer season of 1942, the state faced, for the first time in many years, a shortage of both skilled and unskilled workers. Where in the previous two years, throughout the state there were more workers than available jobs, during the summer and fall the situation was completely reversed, so that nearly every able-bodied person could find employment somewhere.

Even under these circumstances, however, it appears that there always will be some people who are involuntarily out of work and unable to find suitable employment immediately. Frequently this commission has been asked why anyone should be drawing benefits in the face of the demands for workers. Repeated studies of the lists of its benefit claimants indicate that, in spite of the demands for workers, there are continuously a few people who are entitled to benefits under the provisions of the law.

In the face of this need for workers, the commission has felt that when an unemployed worker applies for benefits, it is incumbent upon him to give satisfactory reasons why he is not now employed. Through local employment offices and by mail, it has required claimants to show good cause for their unemployment.

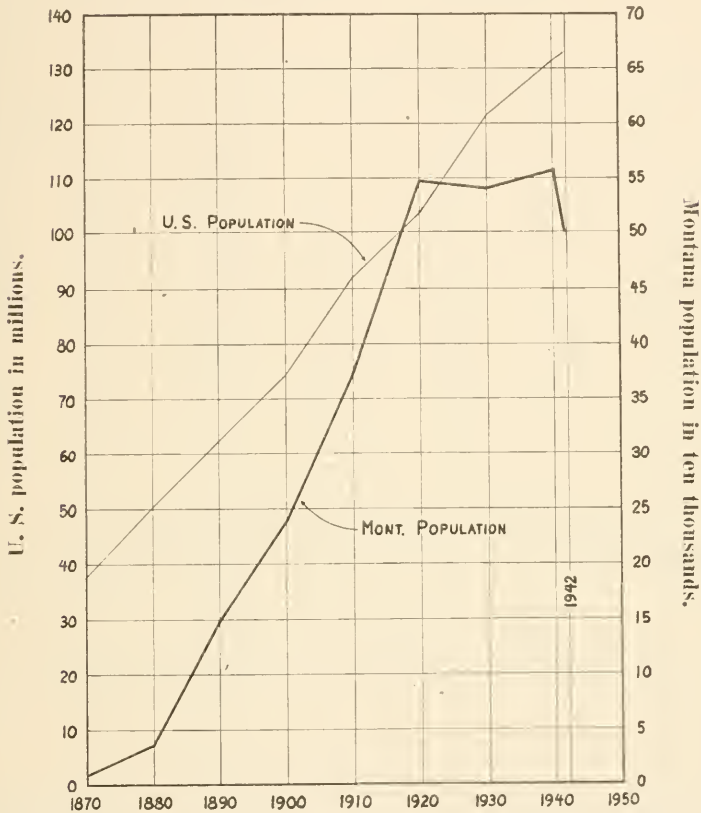
It may be that there are claimants who are drawing benefits who, for moral and patriotic reasons, should be employed, but who, according to the information available to the commission, are eligible under the law.

Studies of current claims reveal that claimants represent rather a wide variety of occupations, virtually none of them being skilled in essential work. Although women constitute only about one-sixth of the labor force in Montana, by late winter of 1942 the ratio of claimants drawing benefits was about one woman to every two men. The ratio of women to men had increased by April until about one-half of the claimants were women, and in September the ratio of women to men drawing benefits was approximately three to one. One probable reason for this proportion is the fact that women are not so readily placed in employment in essential industries, and many who have earned wage credits in industries in their own localities have family ties and obligations which prevent their moving elsewhere to accept other employment.

## CHART NO. 2

### Comparison of Population Changes

Chart shows steady increase in national population and decline of population in Montana in recent months.



### EXPLANATION OF TABLE NUMBER 1

**Definition—Initial claim:** When a worker seeks benefits under the Montana law, he must first file an initial claim, whether he files at an unemployment office in Montana, in another state, or by mail. An initial claim is in effect a deposition in which the worker certifies to detailed information concerning himself, his past employment, and his present state of unemployment.

There are two major classifications of initial claims. They are **new** claims, filed for the purpose of establishing a new benefit account, and additional claims, filed for the purpose of reopening and revalidating, during the benefit year in which it was established, a benefit account which has not been exhausted. For purposes of study and this report, the commission divides **new** claims into two categories—**original** and **repeat**.

An **original** claim is the first new initial claim ever filed by a worker. A worker can file only one original claim for benefits in Montana during his lifetime.

A **repeat** claim is any new initial claim filed by any worker who has filed a claim and received benefits from the Montana commission in a previous year.



# TABLE NUMBER 1

## NUMBER OF INITIAL BENEFIT CLAIMS RECEIVED\*

### BY MONTHS

Third fiscal year of benefit payments—July 1, 1941, to June 30, 1942

	New Initial Claims			Additional Initial Claims	Total Initial Claims
	1	2	3	4	5
	Original New Claims	Repeat New Claims	Total New Claims		Sum of New and Additional
July, 1941 .....	705	566	1,271	536	1,807
August .....	426	262	688	539	1,227
September .....	479	274	753	690	1,443
October .....	842	423	1,265	772	2,037
November .....	936	680	1,616	1,338	2,954
December .....	1,021	1,004	2,025	1,286	3,311
January, 1942 .....	2,787	2,968	5,755	1,228	6,983
February .....	910	939	1,849	638	2,487
March .....	604	644	1,248	696	1,944
April .....	668	567	1,235	557	1,792
May .....	270	214	484	423	907
June .....	251	126	377	228	605
1941-1942 .....	9,899	8,667	18,566*	8,931	27,497

### Comparison Table Number 1

Third fiscal year compared with second fiscal year

July 1, 1941, to June 30, 1942, compared with July 1, 1940, to June 30, 1941

1941-1942 .....	9,899	8,667	18,566*	8,931	24,497
1940-1941 .....	16,556	11,337	27,893*	13,010	40,903

### Supplementary Table Number 1

Initial claims received in fourth (current) fiscal year

July, 1942 .....	224	212	436	107	543
August .....	80	49	129	77	206
September .....	61	38	99	58	157
Total .....	365	299	644*	242	906

\*Totals for claims received are not identical with totals for claims disposed of (see Table 2) due to carried forward and pending claims involved at the beginning and end of any given period.

**Column 1**—Original new claims: During the third fiscal year of benefit payments, 9,899 Montana workers, who had never before claimed benefits in Montana, filed claims.

**Column 2**—Repeat new claims: 8,667 workers who had filed benefit claims in one or both of the two previous fiscal years, again filed initial claims during the third fiscal year of benefit payments.

**Column 3**—Total new claims: During the year a total of 18,570 workers filed initial claims for the purpose of establishing new benefit accounts. This is the sum of columns 1 and 2. (This is the number of new claims received, not claims allowed, as shown in table 2, column 1).

**Column 4**—Additional initial claims: Many of the workers who established valid benefit accounts during the year were reemployed or for some other reason had their series of benefit payments interrupted before their benefit accounts were exhausted. Upon again becoming eligible for payments they were required to file additional initial claims and in some cases to serve additional waiting periods before benefit payments were resumed.

These additional claims do not represent additional claimants. They represent some of the same persons who had previously filed new claims and were accounted for in column 3. They also represent some claimants not accounted for in column 3, who had filed new claims during the previous fiscal year, whose respective benefit years had not yet expired and who reopened their benefit accounts by filing an additional claim. (A benefit year is a period of 52 consecutive weeks commencing on the day on which a claimant files a new initial claim for benefits that is allowed by the Commission). Neither does the figure 8,931 (column 4) indicate the number of persons who filed additional claims since many claimants, who were intermittently employed for various periods of time, filed two or more additional claims during intervening periods of unemployment within their respective benefit years. Therefore column 4 simply denotes the number of additional claims received by the commission during the third fiscal year of benefit payments.

**Column 5**—Total initial claims: A total of 27,497 initial claims was received by the commission during the third fiscal year of benefit payments. This includes both categories of new claims (original and repeat) and additional claims. Because the additional claims are included it represents only 18,570 workers. (See column 4, explanation, above).

### Explanation of Comparison Table Number 1

**Column 1**—Original new claims received during the fiscal year ending June 30, 1942, were 59.79 percent of those received during the preceding fiscal year.

**Column 2**—Repeat new claims received during the fiscal year ending June 30, 1942, were 76.45 percent of those received during the preceding fiscal year.

**Column 3**—Total new claims received during the fiscal year ending June 30, 1942, were 66.56 percent of those received during the preceding fiscal year.

**Column 4**—Additional claims received during the fiscal year ending June 30, 1942, were 68.65 percent of those received during the preceding fiscal year.

**Column 5**—Total initial claims (new and additional) received during the fiscal year ending June 30, 1942, were 67.22 percent of those received during the preceding fiscal year.

### Explanation of Supplementary Table Number 1

**Column 1**—365 original new claims were received during the first quarter of the current fiscal year beginning July 1, 1942. This is 22.67 percent of original new claims received during the corresponding quarter of the preceding fiscal year.

**Column 2**—299 repeat new claims were received during the first quarter of the current fiscal year beginning July 1, 1942. This is 27.13 percent of repeat new claims received during the corresponding quarter of the preceding fiscal year.

**Column 3**—A total of 644 new claims was received during the first quarter of the current fiscal year beginning July 1, 1942. This is the sum of columns 1 and 2 (original and repeat). It is 24.48 percent of total new claims received during the corresponding quarter of the preceding fiscal year.

**Column 4**—242 additional initial claims were received during the first quarter of the current fiscal year beginning July 1, 1942. This is 13.71 percent of additional initial claims received during the corresponding quarter of the preceding fiscal year.

**Column 5**—Total initial claims (original, repeat and additional) received during the first quarter of the current fiscal year beginning July 1, 1942, was 906. This is 20.23 percent of total initial claims received during the corresponding quarter of the preceding fiscal year.

TABLE NUMBER 2

Disposition of New and Continued Claims and Number and Amount of Benefit Payments by Months  
Third fiscal year of benefit payments (July 1, 1941, to June 30, 1942)

	Disposition of New Claims			Disposition of Continued Claims			Number and Amount of Benefit Payments				
	1 Number Allowed	2 Number Disallowed	3 Total + New Claims	4 Ineligible or Vold	5 Waiting Period Claims	6 Compen- sated Claims	7 Total Continued Claims	8 Number First Payments	9 Number Exhausted Payments	10 Total Payments	11 Total * Payments
July, 1941	1,160	93	1,253	1,092	665	11,464	13,221	820	629	11,404	\$ 124,751
August	635	70	705	942	457	8,366	9,765	534	612	8,366	86,717
September	671	90	761	622	440	6,544	7,606	408	352	6,544	68,629
October	1,037	169	1,206	634	716	6,052	7,402	565	254	6,052	63,680
November	1,421	152	1,573	666	1,037	6,710	8,413	741	320	6,710	72,063
December	1,798	236	2,034	1,103	2,038	11,549	14,690	1,362	423	11,549	127,773
January, 1942	5,002	374	5,376	1,277	2,519	16,663	20,459	2,875	406	16,663	189,210
February	1,959	274	2,233	1,287	1,820	24,420	27,527	2,939	496	24,420	280,365
March	1,227	124	1,351	1,098	978	26,103	28,179	1,549	533	26,103	300,364
April	1,109	108	1,217	637	582	17,146	18,365	898	538	17,146	196,739
May	466	59	525	368	263	9,261	9,892	537	701	9,261	100,608
June	320	39	359	964	140	6,226	7,330	2,329	404	6,226	65,892
Total	16,805	1,788	18,593†	10,690	11,655	150,504	172,849	13,557	5,668	150,504	\$1,076,791

Supplementary Table No. 2  
Fourth (Current) Fiscal Year of Benefit Payments  
First Quarter Only

	1 Number Allowed	2 Number Disallowed	3 Total Claims	4 Ineligible or Vold	5 Waiting Period Claims	6 Compen- sated Claims	7 Total Continued Claims	8 Number First Payments	9 Number Exhausted Payments	10 Total Payments	11 Total Amount Payments
July, 1942	363	49	412	270	172	3,545	3,987	233	185	3,545	\$ 36,685
August	114	55	169	359	90	2,351	2,800	168	120	2,351	23,439
September	78	22	100	105	47	1,377	1,529	77	89	1,377	12,682
Total	555	126	681	734	309	7,273	8,316	478	394	7,273	\$ 72,806

\*Gross benefits paid before deducting refunds and checks in suspense.

†Claims disposed of and claims received not identical due to pending and carried forward figures.

## EXPLANATION OF TABLE NUMBER 2

### Number and Disposition of New Claims

**Definition—New claims:** New claims are initial claims filed by claimants for the purpose of establishing a claim for benefits. New claims are distinguished from additional claims which are filed for the purpose of reopening and revalidating a claim already established. The term "new claims" as used by this commission, for the purpose of this report, includes both original and repeat claims. Additional claims are not taken into consideration in this table, as they do not affect the total number of claimants involved. For table showing number of additional claims received and breakdown of new claims into original and repeat, with explanation, see Table 1.

**Column 1—Number claims allowed:** 16,805 new claims were allowed by the commission. That is, they were found to be eligible under the law. This represents 90.4 percent of the total new claims disposed of.

**Column 2—Number claims disallowed:** 1,788 new claims were disallowed by the commission. That is, they were found to be not eligible under the law. This represents 9.6 percent of the total new claims disposed of.

**Column 3—Total new claims.** 18,539 new claims (allowed and disallowed) were disposed of during the third fiscal year of benefit payments. This is the sum of columns 1 and 2 above. (Total new claims disposed of is not identical with total new claims received as shown in Table 1, column 3. The discrepancy is due to carried forward and pending claims involved at the beginning and end of any given period).

### Number and Disposition of Continued Claims

**Definition—Continued claims:** Continued claims are claims filed subsequently to the new claim which opens up the benefit account. Continued claims are filed either for the purpose of denoting waiting period weeks served or for the purpose of claiming benefits for a week of total unemployment after the claim has been properly established and the required waiting period served.

**Column 4—Ineligible or void claims:** Ineligible or void continued claims are claims found by the commission to be ineligible for payment under the law and regulations of the commission. The 10,690 ineligible continued claims represent 6.2 percent of the total continued claims disposed of.

**Column 5—Waiting period claims:** Under the law each claimant who files a valid claim for benefits must serve two waiting period weeks before receiving benefits. Claimants filing through employment service offices in Montana are not required to file separate claims certifying to their status during this period of waiting. This certification is made to officials of the employment service who incorporate the information in the first compensable claim which is sent to the central office three weeks after the claimant first files for benefits. Since separate waiting week claims are not required of these claimants and since this table takes into account only the actual number of claims disposed of, waiting weeks for these claimants are not shown in this table. Therefore the 11,655 waiting weeks shown under column 5 represent only the waiting weeks served by claimants filing by mail or through employment service offices in states other than Montana (interstate) in which case separate claims are required to certify to each waiting week.

The total number of waiting weeks served by claimants of all categories in connection with new benefit accounts filed during the fiscal year can be arrived at by multiplying the number of claimants who received their first payment (column 8) by two. In this case, twice the number of first payments would be 27,114 waiting weeks.

**Column 6—Compensated claims:** 150,504 continued claims represented weeks of total unemployment that were compensable under the law. This column equals column 10 (total number of payments). It represents 87.1 percent of the total continued claims disposed of.



**Column 7**—Total continued claims: 172,849 continued claims (ineligible, waiting period and compensated) were disposed of during the third fiscal year of benefit payments. This is the sum of columns 4, 5 and 6.

### **Number and Amount of Benefit Payments**

**Column 8**—Number first payments: 13,557 claimants who filed new claims, served their waiting weeks and received their first payment for a week of total unemployment. This is 80.7 percent of the new claims allowed (column 1) and 72.9 percent of the total new claims disposed of (column 3). Subtracting 13,557 claimants, who received their first payment, from the total number who filed new claims that were allowed (16,805—column 1) shows that 3,248 workers did not claim any benefits from the commission after establishing a valid claim. This is 19.3 percent of the number of new claims allowed.

The number of first payments (13,557) divided into the total number of payments (column 10) gives the average number of weeks for which each claimant who received benefits was compensated. The average number of weeks is 11.1 per claimant.

**Column 9**—Number exhausted payments: 5,668 claimants drew all 16 of the payments to which they were entitled under the law, and thereby exhausted their benefit accounts for the duration of their respective benefit years. This is 33.7 percent of the new claims allowed (column 1) and 30.5 percent of the total new claims disposed of (column 3).

**Column 10**—Total number payments: 150,504 benefit checks were issued during the third fiscal year. This column balances column 6 (compensated claims). The total number of payments divided into column 11 (total amount payments) shows the average amount of each benefit payment made by the commission was \$11.14.

**Column 11**—Total amount payments: Total gross benefit payments for the third fiscal year of benefit payments (July 1, 1941, to June 30, 1942) were \$1,676,791. This amount includes \$3,725.50 which was refunded by claimants to the commission and \$1,182 in outstanding checks held in a check suspense account. The average amount of each payment, \$11.14. (derived from column 10) times the average number of weeks compensated per claimant, 11.1 weeks, (see explanation, column 8 above) shows the average total amount of benefits per claimant was \$123.65.

### **Explanation of Supplementary Table Number 2**

#### **Number and Disposition of New Claims**

**Column 1**—555 new claims were allowed during the first quarter of the current fiscal year, beginning July 1, 1942. This is 22.51 percent of the new claims allowed during the corresponding quarter of the preceding fiscal year or a reduction of 77.49 percent.

**Column 2**—126 new claims were disallowed during the first quarter of the current fiscal year, beginning July 1, 1942. This is 49.80 percent of the new claims disallowed during the corresponding quarter of the preceding fiscal year or a reduction of 51.20 percent.

**Column 3**—A total of 681 new claims, both allowed and disallowed, was disposed of during the first quarter of the current fiscal year, beginning July 1, 1942. This is 25.45 percent of total new claims disposed of during the corresponding quarter of the preceding fiscal year or a reduction of 74.55 percent.

#### **Number and Disposition of Continued Claims**

**Column 4**—734 continued claims were declared ineligible or void by the commission during the first quarter of the current fiscal year, beginning July 1, 1942. This is 27.63 percent of the ineligible and void claims during the corresponding period of the preceding fiscal year or a reduction of 72.37 percent.

**Column 5**—309 continued claims were accredited to the benefit accounts of mail and interstate claimants as waiting period claims during



the first quarter of the current fiscal year beginning July 1, 1942. This is 19.78 percent of the mail and interstate waiting period claims during the corresponding period of the preceding fiscal year or a reduction of 80.22 percent. (See explanation, column 5, table 2, above).

**Column 6**—Benefits were paid on 7,273 continued claims during the first quarter of the current fiscal year beginning July 1, 1942. This is 27.58 percent of the compensated claims during the corresponding period of the preceding fiscal year or a reduction of 72.42 percent.

**Column 7**—A total of 8,316 continued claims was either declared ineligible or void, accredited as waiting periods or paid during the first quarter of the current fiscal year beginning July 1, 1942. This is 27.18 percent of the total continued claims disposed of during the corresponding period of the preceding fiscal year or a reduction of 72.82 percent.

#### **Number and Amount of Benefit Payments**

**Column 8**—478 claimants, after establishing valid new claims and serving their waiting periods, received their first benefit payment during the first quarter of the current fiscal year, beginning July 1, 1942. This is 27.13 percent of the first payments made during the corresponding period of the preceding fiscal year or a reduction of 72.87 percent.

**Column 9**—394 claimants received all 16 of the payments to which they were entitled and thereby exhausted their benefit accounts during the first three months of the current fiscal year, beginning July 1, 1942. This is 24.73 percent of the number of claimants exhausting their benefits during the corresponding period of the preceding fiscal year or a reduction of 75.27 percent.

**Column 10**—The total number of benefit payments made by the commission during the first quarter of the current fiscal year, beginning July 1, 1942, was 7,273. This is 27.58 percent of the number of benefits paid during the corresponding period of the preceding fiscal year or a reduction of 72.42 percent.

**Column 11**—The total amount of benefits paid by the commission during the first quarter of the current fiscal year, beginning July 1, 1942, was \$72,806. This is 25.99 percent of gross benefits paid during the corresponding period of the preceding fiscal year or a reduction of 74.01 percent.

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### **EXPLANATION OF TABLE NUMBER 3**

**Definitions**—Intrastate benefits. Intrastate benefits are benefits paid on claims filed against the state of Montana by workers residing within the state of Montana at the time the claims are filed. Intrastate claims may be filed either through United States Employment Service offices in Montana or by mail.

Interstate benefits: Interstate benefits are benefits paid on claims filed against the state of Montana by workers who earned wage credits in employment in Montana but who are not residing in Montana at the time they file their claims. Interstate claims are filed through United States Employment Service offices in states other than Montana.

**Column 1**—\$1,422,664 in benefits was paid to workers residing in Montana during the third fiscal year of benefit payments.

**Column 2**—84.8 percent of all benefit payments during the third fiscal year went to workers residing in Montana.

**Column 3**—\$254,127 in benefits was paid to workers residing in states other than Montana who had earned wage credits in Montana.

**Column 4**—15.2 percent of all benefit payments during the third fiscal year went to workers residing in states other than Montana.

**Column 5**—Total gross benefit payments (intrastate and interstate) were \$1,676,791.

#### **Explanation of Comparison Table Number 3**

**Comparison**—The table indicates that the ratio of intrastate and interstate payments to total benefit payments is remarkably constant. In round

# TABLE NUMBER 3

## AMOUNT OF INTRASTATE AND INTERSTATE PAYMENTS BY MONTHS

Third fiscal year of benefit payments  
July 1, 1941, to June 30, 1942

	1 Intrastate Benefit Payments	2 Percent of Total Payments	3 Interstate Benefit Payments	4 Percent of Total Payments	5 Total Benefit Payments*
July, 1941 .....	\$ 101,494	84.8%	\$ 23,257	15.2%	\$ 124,751
August .....	70,522		16,195		86,717
September .....	54,701		13,928		68,629
October .....	50,195		13,485		63,680
November .....	56,015		16,048		72,063
December .....	103,831		23,942		127,773
January, 1942 .....	159,805		29,405		189,210
February .....	245,737		34,628		280,365
March .....	263,208		37,156		300,364
April .....	172,500		24,239		196,739
May .....	88,288		12,320		100,608
June .....	56,368		9,524		65,892
Total .....	\$1,422,664	84.8%	\$254,127	15.2%	\$1,676,791*

### Comparison of intrastate and interstate benefit payments for second and third fiscal years

July 1, 1940, to June 30, 1941, compared with July 1, 1941, to June 30, 1942					
1940-1941 .....	\$2,514,874	84.6%	\$457,353	15.4%	\$2,972,227*
1941-1942 .....	1,422,664	84.8%	254,127	15.2%	1,676,791*

### Supplementary Table

Interstate and intrastate benefit payments in fourth (current) fiscal year First quarter only					
July, 1942 .....	\$ 31,327	84.4%	\$ 5,358	15.6%	\$ 36,685
August .....	19,378		4,061		23,439
September .....	10,706		1,976		12,682
Total .....	\$ 61,411	84.4%	\$ 11,395	15.6%	\$ 72,806*

\*Gross benefit payments before deducting refunds and checks in suspense.

figures, 85 percent of all benefit payments went to persons residing within the state of Montana during the past two fiscal years, and 15 percent went to persons residing in other states. This same ratio is further borne out by the trend during the first quarter of the current fiscal year as shown in the supplementary table, below. The comparison further shows that total gross benefit payments for the third fiscal year of benefit payments, ending June 30, 1942, were 56.4 percent of total gross benefit payments for the preceding fiscal year.

### Explanation of Supplementary Table Number 3

**Column 1**—During the first quarter of the current fiscal year (commencing July 1, 1942) intrastate benefit payments were \$61,411. This is 27.1 percent of intrastate payments during the first quarter of the preceding fiscal year.

**Column 2**—84.4 percent of all benefit payments during the first quarter of the fourth (current) fiscal year of benefit payments went to workers residing in Montana.

**Column 3**—During the first quarter of the fourth (current) fiscal year of benefit payments, interstate benefit payments were \$11,395. This is 21.3 percent of interstate payments during the first quarter of the preceding fiscal year.

**Column 4**—15.6 percent of all benefit payments during the first quarter of the fourth (current) fiscal year of benefit payments went to workers residing in states other than Montana.

**Column 5**—During the first quarter of the fourth (current) fiscal year of benefit payments, total gross benefit payments were \$72,806. This is 25.99 percent of total gross benefit payments for the first quarter of the preceding fiscal year. That is, gross benefit payments during the first quarter of the present fiscal year were approximately one-fourth of what they were during the corresponding period of the preceding year.

## TABLE NUMBER 4 NUMBER OF LIABLE STATE AND AGENT STATE CLAIMS BY MONTHS

Third Fiscal Year of Benefit Payments  
July 1, 1941, to June 30, 1942

	Liable State Claims		Agent State Claims	
	1 Initial Claims	2 Continued Claims	3 Initial Claims	4 Continued Claims
July, 1941 .....	269	2,842	146	834
August ....	222	2,128	117	637
September .....	297	1,846	147	594
October .....	419	1,997	176	663
November .....	511	2,575	276	811
December .....	456	3,457	262	1,243
January, 1942 .....	807	4,345	522	1,746
February .....	336	4,311	185	1,359
March ....	285	4,002	154	1,163
April .....	313	2,494	154	756
May .....	116	1,582	79	316
June .....	116	1,090	54	391
Total .....	4,161	32,669	2,272	10,515

### Comparison Table

Comparison of liable state and agent state claims  
for second and third fiscal years

July 1, 1940, to June 30, 1941, compared with July 1, 1941, to June 30, 1942

1940-1941 .....	5,151	53,216	3,041	17,319
1941-1942 .....	4,161	32,669	2,272	10,515

### Supplementary Table

Liable state and agent state claims for fourth (current) fiscal year  
First quarter only

July, 1942 .....	69	739	59	298
August .....	55	541	60	122
September .....	35	304	53	53
Total .....	159	1,584	172	473

## EXPLANATION OF TABLE NUMBER 4

**Definitions**—Liable state claim: A liable state claim is an interstate claim filed in some other state against the state of Montana by a worker who has earned wage credits in Montana. In this case Montana is liable for payment of benefits.

Agent state claim: An agent state claim is an interstate claim filed at a United States Employment Service office in Montana against some

other state in which the worker has earned wage credits. In this case Montana is not liable for payment of benefits but acts only as an agent state in taking the claim and directing it to the liable state.

**Column 1**—4,161 initial liable state claims were filed in states other than Montana by workers who had earned wage credits in Montana. These claims were filed for the purpose of establishing benefit accounts in Montana.

**Column 2**—32,669 continued liable state claims were filed in states other than Montana by workers who had established benefit accounts in Montana.

**Column 3**—2,272 initial agent state claims were filed at local employment service offices in Montana. That is, 2,272 initial claims were filed by workers who had earned wage credits in other states, for the purpose of establishing benefit accounts in states other than Montana.

**Column 4**—10,515 continued agent state claims for benefits were filed at local employment service offices in Montana by workers who had established benefit accounts in states other than Montana.

### **Explanation of Comparison Table**

**Column 1**—Liable state initial claims filed during the fiscal year ending June 30, 1942, were 80.8 percent of liable state initial claims filed during the fiscal year ending June 30, 1941.

**Column 2**—Liable state continued claims filed during the fiscal year ending June 30, 1942, were 61.4 percent of liable state continued claims filed during the fiscal year ending June 30, 1941.

**Column 3**—Agent state initial claims filed during the fiscal year ending June 30, 1942, were 74.7 percent of agent state initial claims filed during the fiscal year ending June 30, 1941.

**Column 4**—Agent state continued claims filed during the fiscal year ending June 30, 1942, were 60.7 percent of agent state continued claims filed during the fiscal year ending June 30, 1941.

### **Explanation of Supplementary Table**

**Column 1**—Initial liable state claims filed during the first quarter of the current fiscal year were 20.2 percent of initial liable state claims filed during the first quarter of the preceding fiscal year.

**Column 2**—Continued liable state claims filed during the first quarter of the current fiscal year were 23.2 percent of continued liable state claims filed during the first quarter of the preceding fiscal year.

**Column 3**—Initial agent state claims filed during the first quarter of the current fiscal year were 41.9 percent of initial agent state claims filed during the first quarter of the preceding fiscal year.

**Column 4**—Continued agent state claims filed during the first quarter of the current fiscal year were 22.9 percent of continued agent state claims filed during the first quarter of the preceding fiscal year.

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### **EXPLANATION OF TABLE NUMBER 5**

**Column 1**—During the second fiscal year of benefit payments, ending June 30, 1941, \$457,353 in benefits was paid to persons who had earned wage credits in covered employment in Montana and who were residing outside the state of Montana at the time they filed their claims.

**Column 2**—During the third fiscal year of benefit payments, ending June 30, 1942, \$254,127 in benefits was paid to persons who had earned wage credits in covered employment in Montana and who were residing outside the state of Montana at the time they filed their claims. This is 55.56 percent of the interstate payments in the second (preceding) fiscal year.

# TABLE NUMBER 5

## AMOUNT OF INTERSTATE CLAIMS BY STATES

	1 July 1, 1940 to June 30, 1941	2 July 1, 1941 to June 30, 1942
Total .....	\$457,353	\$254,127
Alabama .....	78	277
Alaska .....	517	20
Arizona .....	3,873	2,067
Arkansas .....	1,581	540
California .....	82,721	36,639
Colorado .....	11,564	5,141
Connecticut .....	.....	64
Delaware .....	.....	.....
District of Columbia .....	732	64
Florida .....	1,106	527
Georgia .....	29	293
Hawaii .....	11	.....
Idaho .....	36,292	19,460
Illinois .....	4,886	2,420
Indiana .....	1,465	579
Iowa .....	5,520	2,574
Kansas .....	3,559	3,682
Kentucky .....	1,331	458
Louisiana .....	120	1,078
Maine .....	12	.....
Maryland .....	180	71
Massachusetts .....	287	405
Michigan .....	6,342	3,271
Minnesota .....	45,252	26,599
Mississippi .....	370	270
Missouri .....	8,397	5,141
Nebraska .....	5,951	4,370
Nevada .....	4,548	3,904
New Hampshire .....	15	14
New Jersey .....	157	51
New Mexico .....	1,428	957
New York .....	1,612	300
North Carolina .....	178	222
North Dakota .....	27,687	17,514
Ohio .....	1,011	626
Oklahoma .....	3,224	2,024
Oregon .....	24,825	15,516
Pennsylvania .....	558	566
Rhode Island .....	56	.....
South Carolina .....	221	19
South Dakota .....	10,167	7,175
Tennessee .....	282	471
Texas .....	3,197	2,440
Utah .....	9,596	8,040
Vermont .....	11	112
Virginia .....	234	171
Washington .....	126,948	67,397
West Virginia .....	45	77
Wisconsin .....	5,185	2,238
Wyoming .....	13,992	8,283



# TABLE NUMBER 6

## NUMBER AND AMOUNT OF BENEFIT PAYMENTS BY COUNTIES

Third fiscal year of benefit payments (July 1, 1941, to June 30, 1942)

County	1 Number of Payments	2 Amount of Payments
Beaverhead .....	1,129	\$ 12,905
Big Horn .....	1,799	18,872
Blaine .....	1,643	19,630
Broadwater .....	726	9,114
Carbon .....	3,291	35,941
Carter .....	112	701
Cascade .....	11,576	126,502
Chouteau .....	411	3,878
Custer .....	1,961	20,120
Daniels .....	197	1,710
Dawson .....	1,072	11,035
Deer Lodge .....	1,557	17,156
Fallon .....	331	3,339
Fergus .....	2,904	30,935
Flathead .....	9,044	97,836
Gallatin .....	6,346	66,455
Garfield .....	517	4,790
Glacier .....	2,303	26,604
Golden Valley .....	138	1,552
Granite .....	323	3,831
Hill .....	2,529	26,039
Jefferson .....	1,021	12,242
Judith Basin .....	347	4,022
Lake .....	2,327	24,240
Lewis and Clark .....	9,521	112,270
Liberty .....	147	1,743
Lincoln .....	1,445	15,231
Madison .....	1,374	15,808
McCone .....	653	7,790
Meagher .....	423	3,259
Mineral .....	723	8,233
Missoula .....	8,926	104,185
Musselshell .....	2,395	29,101
Park .....	3,385	38,037
Petroleum .....	58	666
Phillips .....	1,736	17,700
Pondera .....	1,201	12,829
Powder River .....	212	2,056
Powell .....	835	9,780
Prairie .....	144	1,573
Ravalli .....	4,059	42,550
Richland .....	2,225	24,881
Roosevelt .....	707	7,467
Rosebud .....	755	7,661
Sanders .....	804	9,356
Sheridan .....	808	7,553
Silver Bow .....	13,976	166,678
Stillwater .....	539	5,660
Sweet Grass .....	622	6,240
Teton .....	1,248	13,747
Toole .....	1,622	17,687
Treasure .....	58	551
Valley .....	2,062	22,429
Wheatland .....	295	3,239
Wibaux .....	171	1,594
Yellowstone .....	11,689	125,661
Total .....	128,422	\$1,422,664

## EXPLANATION OF TABLE NUMBER 6

**Column 1**—This column shows the total number of benefit payments to residents of the various counties during the third fiscal year of benefit payments, July 1, 1941, to June 30, 1942. The number of payments should not be confused with the number of claimants. The explanation of column 8, table 2, shows the average number of weeks for which each eligible claimant was compensated was 11.1 weeks. A rough approximation of the number of eligible claimants who received benefits in any given county can be arrived at by dividing the number of payments (column 1) by 11.

**Column 2**—This column shows the total amount of benefit payments to residents of the various counties during the third fiscal year of benefit payments, July 1, 1941, to June 30, 1942. The total \$1,422,664 equals the total intrastate benefit payments (column 1, table 4).

### Benefits for Servicemen

The unemployment compensation law was amended in 1941 to protect the benefit rights of workers inducted or enlisted into the armed forces of the United States. This amendment provided for the freezing of wage credits of service men until 90 days after the conclusion of their service. The freezing of the wage credits is to be done on the application of the individual. Out of an estimated 40,000 men and women who probably will have gone into the armed services from Montana, this commission has received requests for the preservation of the wage records of about 3,500. Undoubtedly, large numbers of the men enlisted or inducted into the service are not familiar with the provisions of the law and have not notified the commission of their entry into the service. In addition, perhaps not more than 50% of the men entering the service had any accumulated wage credits in covered employment prior to their date of entry. Under the law, therefore, possibly half of Montana's service men will be protected at the conclusion of the war.

The preservation of wage credits for service men involves a continuing, unknown liability against the fund of probably \$2,500,000 to \$5,000,000. The commission feels that it would be fair for the federal government to recognize service in the armed forces as employment for the purpose of this act, and to pay to the commission a contribution on the wages of all Montana people in the service; and at the end of the war, unemployment compensation benefits should be paid to all former service men and women who are unable to find employment, such benefits to be figured on the basis of their employment in the service.

This attitude of the commission is concurred in by the state department of the American Legion, which adopted the following resolution at its annual meeting in Butte on July 15, 1942:

"WHEREAS, the state of Montana has and will furnish a large number of its citizens for the armed forces of the federal government, and

"WHEREAS, approximately only fifty percent (50%) of these persons have accrued benefits under the state unemployment compensation act, and

"WHEREAS, we believe all persons serving in the military or naval forces should benefit equally under unemployment compensation whether covered by the act or not, and

"WHEREAS, workers in war industries are accruing unemployment compensation benefits, therefore we believe all members of the military forces should likewise accrue such benefits by reason of their federal employment as such;

"NOW, THEREFORE, BE IT RESOLVED, by the American Legion Department of Montana in convention assembled this 15th day of July, 1942, that the American Legion ask the Montana State Legislature to memorialize the Congress of the United States to provide unemployment compensation benefits for all veterans to be discharged from the armed forces; that those benefits either be paid as a federal obligation or that the federal government contribute to each state unemployment compensation fund in order to secure unemployment compensation benefits at the time of the veteran's discharge.

"BE IT FURTHER RESOLVED that a copy of this resolution be furnished the chairman of the Montana Unemployment Compensation Commission, the Governor of the State of Montana, the congressional delegation from Montana, and the proper committee at the next national convention."

The state department of the American Legion also adopted the following resolution:

"WHEREAS, persons now entering the military forces of the United States from the State of Montana are required by existing state legislation to request that their benefits under the state Unemployment Compensation Act be frozen in order to receive benefits upon discharge, and

"WHEREAS, very few employees of the military forces are familiar with the law and have not made such request;

"NOW, THEREFORE, BE IT RESOLVED, by the American Legion in department convention assembled this 15th day of July, 1942, that the next session of the Montana Legislature be requested and urged to amend and enact into the Montana unemployment compensation law a regulation that will automatically freeze the accrued benefits that may be due any covered employee upon entering the military or naval forces of the United States without requiring either a written or verbal request from such employee, to the end that such accrued benefits may be made available to such employees during the period of unemployment after release from the military or naval forces of the United States.

"BE IT FURTHER RESOLVED, that proof of discharge be the only requisite necessary for any veteran to claim benefits that had been frozen under this amendment.

"BE IT FURTHER RESOLVED, that a copy of this resolution be furnished the Chairman of the Montana Unemployment Compensation Commission, the Governor of the State of Montana, and the Montana State Legislature."

### **Many Individuals Benefited**

Various tables and charts in this report show many of the details of the work of the commission. It will be noted that during each of the past three years, there has been a marked seasonal rise of unemployment in the winter months. The records show that during the first three years of benefit payments, 42,267 different individuals drew unemployment compensation. This number is more than half of the average number of workers normally employed in covered industry in the state.

The fact that in three years, an average of every other worker in Montana's covered industry lost his job and had recourse to job insurance is striking evidence of the fluctuation of employment in the state. It gives sharp emphasis to the "Declaration of State Public Policy," which characterizes unemployment as the "greatest hazard of our economic life."

The workers who have drawn unemployment compensation during the past three years have been, almost without exception, people who are dependent upon their day-by-day wages for their livelihood. Very few, if any, have possessed the reserves which would enable them to remain unemployed indefinitely and still meet current living expenses. In the absence of job insurance, certainly a large number of these unemployed workers during the past three years would have been forced upon the relief rolls.

### **Benefits Spread Widely**

Perhaps no other form of insurance spreads its benefits so widely among or directly to persons so greatly in need of it. No claimant has received more than \$240 in a year. The average is around \$125. Our investigations have showed that the bulk of these benefits go toward the payment of normal living expenses. During the first three years in which benefits were paid, more than \$7,500,000 went to the state's unemployed workers.

The commission feels that the primary objective of the law has been accomplished to a very large degree in three different ways:

1. By giving needed protection to a great percentage of the state's workers against the hazards of fluctuations of employment;
2. By the prevention of a large increase in the state's relief load, which would have been necessary had there been no unemployment compensation provisions;
3. By definitely benefiting Montana industries through the maintenance of purchasing power among the workers of the state.

The commission feels that availability of job insurance has bolstered tremendously the morale of Montana's workers. The state law has given every employed worker some sense of security and, in the case of many workers, has removed the embarrassing alternative of applying for relief which otherwise would have been necessary.

Many business concerns, particularly those in retail trade, have learned that unemployment compensation payments have assisted them materially during the winter months by enabling unemployed workers to pay cash for their immediate requirements, thus eliminating the alternatives which these business men frequently faced of carrying many of their customers on credit for long periods, refusing to sell to them, or contributing more heavily to the relief load.

### **Personnel**

Commission employees are selected through a state merit system administered by a Merit System Council. The council was appointed in 1940 to supervise the classification, selection, and employment of personnel in the Unemployment Compensation Commission, the Department of Public Welfare, and the State Board of Health. It is



composed of Dr. Francis E. Thomson of Butte; Reverend Emmet Riley of Helena; Dr. E. Martin Larson of Great Falls; and Melvin P. Martinson, who is employed as supervisor for the council and manager of the council office at Helena.

Employees of the commission have been selected under rules and regulations adopted by the commission and the merit system council, and all have qualified for their positions under these regulations.

During the heavy claims period in the winter season, considerable extra help has been needed to handle the work of the commission. The work of the accounting, wage records, and administrative sections remains fairly constant throughout the year, but the work of the claims and benefits section varies greatly according to the benefit claims received. During the past year, the personnel in the claims and benefits section has been reduced as the claims load has decreased. It is expected that with a seasonal increase in the claims load, additional employees will be needed in the service of the commission.

Twenty former employees of the commission are now in the armed forces of the United States. Of these, 19 are men in various branches of the armed services, and one woman is an officer in the Women's Army Auxiliary Corps.

## Unemployment Compensation Commission Personnel

Name	Position	Monthly Salary	Legal Residence
Battershell, W. Matthew	Junior Clerk	\$115.00	Clancy
Beaupre, Elaine	Bookkeeping Mch. Opr.	125.00	Helena
Beyer, Henry	Intermediate Clerk	130.00	Helena
Binko, Wesley E.	Field Advisor	175.00	Shelby
Bourck, Oscar E.	Field Advisor	195.00	Butte
Boyd, Everett A.	Junior Clerk	110.00	Helena
Brown, Kenneth	Supervising File Clerk	130.00	Stevensville
Bullock, Clifford	Field Advisor	175.00	Bozeman
Casey, Joseph T.	Accountant (Cashier)	170.00	Helena
Christianson, Clayton	Junior Clerk	110.00	Helena
Christianson, Leslie O.	Field Advisor	175.00	Boulder
Craighead, Barclay	Chairman	433.33	Missoula
DeVoor, Dorothy	Typist	115.00	Billings
Dolliver, Esther Sloan	Int. Accounting Clerk	130.00	Bozeman
Donnelly, Delphine E.	Typist	115.00	Miles City
Frigge, Norbert	Junior Clerk	110.00	Dutton
Guilbault, Charles P.	Supervising Claims Exam.	220.00	Billings
Handel, Marjorie	Intermediate Clerk	135.00	Sheridan
Hoagland, Jesse	Junior Clerk	115.00	Columbia Falls
Holloman, Elsie	Senior Clerk	150.00	Missoula
Jacobson, Arthur C.	Field Advisor	225.00	Missoula
Jensen, Julia C.	Intermediate Stenographer	135.00	Ekalaka
Jones, Ann B.	Bookkeeping Mch. Opr.	125.00	Dodson
Keith, Edythe Hedrix	Junior Stenographer	115.00	Great Falls
Lane, Louis L., Sr.	Field Advisor	175.00	Billings
Lofgren, Everett E.	Attorney	300.00	Billings
Lutey, John	Janitor	120.00	Helena
Manning, Grace	Intermediate Stenographer	135.00	Kalispell
Meldrum, Helen K.	Intermediate Stenographer	135.00	Helena
Munson, James W.	Accountant	180.00	Helena
Murphy, Michael A.	Accountant	170.00	Anaconda
Nash, Lee	Senior Clerk	140.00	Missoula
Olsen, Mary Marron	Intermediate Clerk	130.00	Butte
Owens, James	Intermediate Clerk	130.00	Butte
Paquette, Emile A.	Int. Accounting Clerk	135.00	Anaconda
Pfeiffer, Norman	Int. Accounting Clerk	130.00	Helena
Reinig, Leoti	File Clerk	115.00	Helena
Richter, Cecil	Intermediate Stenographer	135.00	Bozeman
Rogers, Leslie M.	Claims Examiner	170.00	Helena
Schulz, Rose	Intermediate Clerk	130.00	Sheridan
Stewart, Carroll M.	Chief Accountant	275.00	Missoula
Stewart, Dorothy	Secretary	150.00	Helena



## Personnel (Continued)

Name	Position	Monthly Salary	Legal Residence
Stewart, James H.	Chief Field Advisor	260.00	Wh. Sul. Spgs.
Stubblefield, Joyce	Junior Clerk	110.00	Anaconda
Thomas, Margaret	Junior Stenographer	115.00	Billings
Townsend, Joseph B.	Director	300.00	Missoula
Wallin, Sam C. F.	Field Advisor	185.00	Whitefish
Walsh, Andrew D.	Sr. Accounting Clerk	150.00	Helena

## Local Office Personnel

Name	Position	Monthly Salary	Official Station
Dorrington, Lichfield	Senior Interviewer	160.00	Billings
Lindwedel, Barbara	Junior Clerk	110.00	Billings
Dunstan, Thomas	Senior Interviewer	160.00	Butte
Harrington, Frances	Junior Clerk	110.00	Butte
Kedzie, Malcolm K.	Senior Interviewer	160.00	Great Falls



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